

# **MUNICIPALITY OF DRAKENSTEIN**



## **UNAUDITED FINANCIAL STATEMENTS**

**30 JUNE 2013**

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## GENERAL INFORMATION

### MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE

Cllr Adv GMM van Deventer:	Executive Mayor
Cllr CJ Poole:	Deputy Executive Mayor Rural Management Portfolio Chairperson
Cllr GC Combrink:	Finance Portfolio Chairperson
Cllr Dr ND Adams:	Social Services and Community Development Portfolio Chairperson
Cllr WF Philander:	Housing and Human Settlements Portfolio Chairperson
Cllr Dr LM du Toit:	Environmental Affairs, Open Spaces and Parks Portfolio Chairperson
Cllr LE Ntlemeza:	Corporate Services Portfolio Chairperson
Cllr R Smuts:	Disaster Management Portfolio Chairperson
Cllr EM Kearns:	Public Complaints and Ombudsman Portfolio Chairperson
Cllr JG Rademeyer:	Infrastructure Services Portfolio Chairperson
Cllr Dr MDJ Smith:	Planning and Economic Development Portfolio Chairperson
Cllr AC Stowman:	Sport, Culture, Youth Development and Student Affairs Portfolio Chairperson

## COUNCIL MEMBERS

COUNCILLORS IN OFFICE							
No	Surname	Initials	No	Surname	Initials		
1	Adams	ND	32	Lumko	S		
2	Adriaanse	MM	33	Magala	LM		
3	Afrika	AF	34	Mangena	TC		
4	Allom	A	35	Matthee	J		
5	Appollis	CJ	36	Mbubu	V		
6	Appollis	MB	37	McHelm	JC		
7	Arnolds	RB	38	Msolo	MC		
8	Bekeer	A	39	Mtiki	N		
9	Blanckenberg	DS	40	Naude	WJ		
10	Bolani	LE	41	Niehaus	LW		
11	Buckle	AML	42	Ntlemeza	LE		
12	Combrink	GC	43	Paliso	M		
13	Cupido	FP	44	Philander	WF		
14	Cupido	PBA	45	Poole	CJ		
15	Daries	LN	46	Rademeyer	JG		
16	Davids	CO	47	Rens	SC		
17	Davids	SW	48	Ross	CS		
18	De Beer	AH	49	Ross	S		
19	De Goede	HR	50	Sheldon	K		
20	De Wet	J	51	Smit	WE		
21	Du Toit	LM	52	Smith	MJ		
22	Gouws	E	53	Smuts	R		
23	Gwada	ZL	54	Somgqeza	TE		
24	Hlathi	V	55	Stowman	AC		
25	Kearns	C	56	Tshaya	MA		
26	Kearns	EM	57	Van der Westhuizen	CC		
27	Kem	Z	58	Van Deventer	GMM		
28	Koegelenberg	RA	59	Van Nieuwenhuyzen	RH		
29	Kotze	DA	60	Von Schlicht	H		
30	Landu	L	61	Witbooi	GJ		
31	Le Roux	JF					
COUNCILLORS WHO CEASED TO HOLD OFFICE				REPLACEMENTS			
No	Surname	Initials	Date	No	Surname	Initials	Date
1	Meyer	CA	23/07/2012	1	Cupido	PBA	13/08/2012
2	Qebenya	NJ	24/07/2012	2	Kem	Z	13/08/2012
3	Petersen	WA	31/01/2013	3	De Beer	AH	18/02/2013

## **MEMBERS OF THE AUDIT COMMITTEE**

Mrs Rozan Jaftha:	Chairperson
Mr William James Sewell:	Member
Mr Mandla Mdludlu:	Member
Mr Graham Smit:	Member
Mr Ronnie Kingwill:	Member

## **GENERAL INFORMATION**

<b>Auditors:</b>	Auditor-General
<b>Bankers:</b>	Nedbank
<b>Grading of Local Authority:</b>	Grade 10
<b>Registered Office:</b>	Drakenstein Municipality
<b>Physical Address:</b>	Berg River Boulevard, Paarl, 7622
<b>Postal Address:</b>	PO Box 1, Paarl, 7646
<b>Telephone:</b>	(021) 807 4500
<b>Fax:</b>	(021) 872 8054
<b>Municipal Manager:</b>	Mr JF Mettler
<b>Chief Financial Officer:</b>	Mr J Carstens
<b>Executive Mayor:</b>	Cllr Adv GMM van Deventer
<b>Deputy Executive Mayor:</b>	Cllr CJ Poole
<b>Speaker:</b>	Cllr JF Le Roux

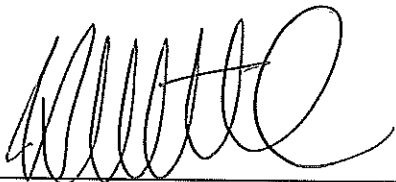
## EXECUTIVE MANAGEMENT

<b>Municipal Manager:</b>	Mr JF Mettler
<b>Chief Financial Officer:</b>	Mr J Carstens
<b>Executive Manager: Corporate Services:</b>	Me A de Beer
<b>Executive Manager: Planning and Economic Development (Since 01/06/2013):</b>	Mr A Adam
<b>Acting Executive Manager: Planning and Economic Development (01/02/2013 – 31/05/2013):</b>	Mr D Delaney
<b>Executive Manager: Community Services (01/02/2013 – 30/06/2013):</b>	Vacant
<b>Acting Executive Manager: Community Services (Since 01/05/2013):</b>	Mr V Petersen
<b>Executive Manager: Infrastructure Services (01/02/2013 – 30/06/2013):</b>	Vacant
<b>Acting Executive Manager: Infrastructure Services (01/02/2013 – 30/06/2013):</b>	Mr D du Plessis
<b>Executive Director: Social Services (01/07/2012 – 31/01/2013):</b>	Mr T Matthee
<b>Acting Executive Director: Social Services (01/08/2012 – 31/01/2013):</b>	Mr V Petersen
<b>Executive Director: Infrastructure and Planning (01/07/2012 – 30/11/2012):</b>	Mr L Coetzee
<b>Acting Executive Director: Infrastructure and Planning (01/12/2012 – 31/01/2013):</b>	Mr D Delaney
<b>Executive Director: Strategic Services (01/07/2012 – 31/03/2013):</b>	Dr P Naidoo

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of the Annual Financial Statements in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 28 of the Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of The Constitution of the Republic of South Africa, 1996, read together with the Remuneration of Public Office Bearers Act, 1998 (Act No 20 of 1998) and the Minister of Cooperative Governance determination in accordance with this Act.



**JOHANN FREDERIC METTLER**  
**MUNICIPAL MANAGER**

31 August 2013  
**DATE**

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013**

	Note	JUNE 2013  R	JUNE 2012 Restated R
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>4,229,398,675</b>	<b>4,137,468,657</b>
Property, plant and equipment	11	4,090,781,995	4,007,786,413
Heritage Assets	13	33,903,936	33,903,636
Intangible Assets	12	8,080,772	6,288,230
Investment property	14	93,057,000	86,063,700
Non current assets classified as held for sale	4	1,983,022	1,983,022
Investments	15	153,005	160,822
Long-term receivables	16	1,438,946	1,282,835
<b>Current assets</b>		<b>413,955,608</b>	<b>321,735,614</b>
Inventory	17	46,787,722	53,541,441
VAT	18	12,854,737	19,836,097
Receivables from exchange transactions	19 & 20	159,552,456	101,913,998
Receivables from non-exchange transactions	19.1 & 20.1	58,622,444	34,183,437
Current portion of long-term receivables	15	291,916	303,485
Cash and cash equivalents	21	135,846,333	111,957,156
<b>Total Assets</b>		<b>4,643,354,283</b>	<b>4,459,204,271</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Non-current liabilities</b>		<b>720,178,973</b>	<b>623,023,042</b>
Long-term liabilities	5	531,974,484	443,252,053
Retirement Benefit Obligation	6	110,755,956	107,720,364
Non-Current Provisions	7	77,448,533	72,050,626
<b>Current liabilities</b>		<b>351,233,862</b>	<b>270,569,436</b>
Consumer deposits	8	25,925,779	22,138,506
Payables from exchange transactions	9	193,476,306	157,613,141
Unspent conditional grants and receipts	10	24,935,006	25,423,416
Current portion of long-term liabilities	5	98,262,569	57,242,133
Current portion of Retirement Benefit Obligation	6	6,456,296	6,299,345
Current Provisions	7	2,177,906	1,852,895
<b>Net assets</b>		<b>3,571,941,447</b>	<b>3,565,611,792</b>
Housing Development Fund	1	42,429,598	41,672,724
Reserves	2	1,093,406,607	1,102,609,622
Accumulated Surplus / (Deficit)	3	2,436,105,242	2,421,329,446
<b>Total Net Assets and Liabilities</b>		<b>4,643,354,283</b>	<b>4,459,204,271</b>



**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2013**

Budget			Actual	
2012 Revised R	2013 Revised R	Note	2013 R	2012 Restated R
REVENUE				
Revenue from exchange transactions				
794,389,541	868,301,529	23	890,483,931	755,176,676
18,335,843	18,466,736	24	18,991,092	18,773,986
8,389,937	6,165,000	25	6,105,540	5,322,775
0	0	25	15,120	15,120
8,800,000	10,035,543	25	10,922,408	9,063,784
20,684,373	17,696,426	27	25,995,939	15,139,780
4,000,000	0		0	1,329,458
Revenue from non-exchange transactions				
			3,005,000	0
169,603,446	180,427,467	22	178,298,151	165,731,846
1,450,000	1,332,000		1,471,195	1,207,033
8,788,500	4,508,202		4,971,247	4,615,860
10,637,750	11,266,050		11,572,086	10,133,545
		17	347,128	0
228,904,835	191,926,441	26	199,514,880	176,814,029
<u>1,273,984,225</u>	<u>1,310,125,394</u>	Total Revenue	<u>1,351,693,717</u>	<u>1,163,323,893</u>
EXPENDITURE				
291,556,387	345,277,789	28	336,543,906	321,411,365
16,926,724	17,641,447	28	17,641,423	16,653,674
26,074,550	26,944,754	29	48,121,218	28,135,679
5,959,800	10,173,000		9,892,204	8,951,735
130,195,510	157,521,477	30	152,905,208	156,602,003
0	0	31	976,050	0
72,019,384	57,742,461		53,381,916	54,058,491
36,867,554	49,317,213	32	49,275,660	36,853,855
424,231,731	474,322,181	33	466,494,342	429,651,636
9,177,964	10,997,237		10,761,939	8,971,938
664,743	884,629	34	427,636	664,727
189,238,305	194,607,626	35	200,347,664	149,374,020
0	0		0	2,276,824
<u>1,202,912,652</u>	<u>1,345,429,814</u>	Total Expenditure	<u>1,346,769,167</u>	<u>1,213,605,946</u>
<u>71,071,573</u>	<u>(35,304,420)</u>	Surplus / (Deficit) for the year	<u>4,924,550</u>	<u>(50,282,054)</u>

**DRAKENSTEIN MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013**

Note	<u>2013</u>	<u>2012</u>
	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>RECEIPTS</b>		
Property rates	179,769,345	166,938,879
Sale of goods and services	862,758,973	780,564,252
Grants received	199,026,470	175,658,376
Interest and dividends received	6,105,540	5,322,775
Dividends received	15,120	15,120
Other receipts and fines received	38,550,972	32,166,009
<b>PAYMENTS</b>		
Employee cost	(330,449,090)	(317,234,064)
Suppliers	(773,905,186)	(760,143,550)
Interest paid	(49,275,660)	(36,853,855)
VAT paid	(6,981,360)	(3,775,527)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>125,615,126</b>	<b>42,658,416</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(230,826,649)	(269,068,490)
Purchase of Intangible assets	(4,387,399)	(3,075,700)
Proceeds on disposal of property, plant and equipment	102,500	3,704,252
Decrease/(Increase) in non-current receivables	(144,542)	2,650,940
	0	0
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(235,256,089)</b>	<b>(265,788,998)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New loans raised	129,742,867	166,276,961
Increase in consumer deposits	3,787,274	2,575,564
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>133,530,141</b>	<b>168,852,525</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>23,889,177</b>	<b>(54,278,057)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>111,957,156</b>	<b>166,235,214</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>135,846,333</b>	<b>111,957,156</b>

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013**

	Housing	Revaluation Reserve	Government Grants	Capitalisation Reserve	Capital Replacement Reserve	Accumulated Surplus Donations and Public Contributions	Self-Insurance Reserve	Accumulated Surplus due to results of operations	Total Accumulated Surplus	Total
	R	R	R	R	R	R	R	R	R	R
Restated balance at 30 June 2011	37,581,268	1,154,597,294	268,473,003	596,320,931	26,692,203	0	2,372,875	1,527,290,814	2,421,149,826	3,613,328,368
Net surplus/(deficit) for the year	0	0	0	0	0	0	0	(50,282,054)	(50,282,054)	(50,282,054)
Transfer to CRR	0	0	0	0	45,878,057	0	0	(45,878,057)	0	0
Property, plant and equipment purchased	0	0	0	0	(52,879,397)	0	0	52,879,397	0	0
Intangible assets purchased	0	0	0	0	3,075,700	0	0	(3,075,700)	0	0
Capital grants used to purchase PPE	0	0	86,430,669	0	0	0	0	(86,430,669)	0	0
Contribution to / (from) Insurance Reserve	0	0	0	0	0	0	0	0	0	0
Asset Disposals	0	0	0	0	0	0	0	0	0	0
Asset Transfers from PPE to Investment property	0	(3,391,966)	(468,224)	(449,798)	0	0	(438,697)	0	(438,697)	(438,697)
Fair value adjustment on PPE	0	0	0	0	0	0	0	3,667,612	2,749,581	(642,385)
Adjustments	0	0	0	0	0	0	0	0	0	0
Transfer to Housing Development Fund	4,091,456	0	0	0	0	0	0	709,373	709,373	709,373
Offsetting of Depreciation	0	(6,223,144)	(15,658,952)	(35,387,287)	0	0	0	(2,262,657)	(2,262,657)	1,828,799
Balance at 30 June 2012	41,672,724	1,144,982,184	318,776,486	560,483,846	22,766,563	0	1,934,178	1,473,887,442	2,377,948,516	3,564,503,424
Correction of error (note 39) (Landfill Site)	0	0	0	0	0	0	0	1,177,891	1,177,891	1,177,891
Correction of error (note 39) (Investment Property)	0	0	0	0	0	0	0	46,443,700	46,443,700	46,443,700
Correction of error (note 39) (Investment Property)	0	0	0	0	0	0	0	(24,885,337)	(24,885,337)	(24,885,337)
Correction of error (note 39) (Investment Property)	0	(25,011,776)	0	0	0	0	0	25,011,776	25,011,776	0
Correction of error (note 39) (Investment Property)	0	(17,360,796)	(3,755,353)	(1,990,606)	0	0	0	(564,833)	(564,833)	(23,711,617)
Correction of error (note 39) (Grants : Grap 23)	0	0	0	0	0	0	0	1,638,509	1,638,509	1,638,509
Correction of error (note 39) (Cables)	0	0	0	0	0	0	0	268,552	268,552	268,552
Correction of error (note 39) (Investment Stock)	0	0	0	0	0	0	0	43,477	43,477	43,477
2012	41,672,724	1,102,609,622	314,981,093	558,493,240	22,766,563	0	1,934,178	1,523,021,177	2,421,196,252	3,565,478,599
Net surplus/(deficit) for the year	0	0	0	0	0	0	0	4,924,549	4,924,549	4,924,549
Transfer to CRR	0	0	0	0	9,000,000	0	0	(9,000,000)	0	0
Property, plant and equipment purchased	0	0	0	0	(7,242,063,29)	0	0	7,242,063	0	0
Intangible assets purchased	0	0	0	0	(4,387,399)	0	0	4,387,399	0	0
Capital grants used to purchase PPE	0	0	56,630,809	0	0	0	0	(56,630,809)	0	0
Contribution to / (from) Insurance Reserve	0	0	0	0	0	0	0	0	0	0
Asset Disposals	0	0	0	0	0	0	0	0	0	0
Asset Transfers from PPE to Investment property	0	0	0	(760,903)	0	0	(188,954)	0	(188,954)	(188,954)
Library Books	0	0	0	0	0	0	0	760,903	0	0
Fair Value Adjustment	0	0	0	0	(43,615)	0	0	43,615	0	0
Fair value adjustment on PPE	0	0	0	0	0	0	0	0	0	0
Transfer to Housing Development Fund	756,874	(9,203,015)	(10,268,202)	(29,126,711)	0	0	0	970,390	970,390	1,727,254
Offsetting of Depreciation	0	0	0	0	0	0	0	0	0	0
Balance at 30 June 2013	42,429,598	1,093,406,607	361,343,699	528,603,626	20,993,486	0	1,745,224	1,524,377,206	2,436,105,242	3,571,941,447

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013**

2012/2013										
Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget
<b>FINANCIAL PERFORMANCE</b>										
Revenue from Non-exchange Transactions										
Property Rates	186,797,920	(6,370,453)	180,427,467	0	0	180,427,467	178,298,151	0	(2,129,316)	98.82
Property Rates - Penalties imposed and collection charges	2,000,000	(698,000)	1,302,000	0	0	1,302,000	1,471,185	0	139,185	110.45
Fines	7,278,225	(2,770,023)	4,508,202	0	0	4,508,202	4,971,247	0	463,045	110.27
Licences and Permits	11,781,450	(495,400)	11,286,050	0	0	11,286,050	11,572,085	0	306,036	102.72
Income for Agency Services	0	0	0	0	0	0	0	0	0	0.00
Government Grants and Subsidies Received	149,373,324	(14,208,759)	135,164,565	0	0	135,164,565	142,884,071	0	7,720,506	105.71
Public Contributions and Donations and Other	0	0	0	0	0	0	3,005,000	0	3,005,000	0.00
<b>Revenue from Exchange Transactions</b>										
Service Charges	898,654,578	(36,180,352)	862,474,226	0	10	862,474,236	884,650,239	0	22,176,003	102.57
Rental of Facilities and Equipment	19,485,395	(998,659)	18,486,735	0	0	18,486,736	18,991,092	0	504,356	102.84
Interest Earned - External Investments	6,276,000	(111,000)	6,165,000	0	0	6,165,000	6,120,660	0	(44,340)	99.28
Interest Earned - Outstanding Debtors	9,651,900	383,543	10,035,443	0	0	10,035,543	10,922,408	0	886,865	108.84
Dividends Received	0	0	0	0	0	0	0	0	0	0.00
Royalties Received	0	0	0	0	0	0	0	0	0	0.00
Other Income	26,832,002	(5,308,287)	23,523,715	0	0	23,523,719	31,829,631	0	8,305,912	135.31
Other Gains on Continued Operations	0	0	0	0	4	0	347,128	0	347,128	0.00
Gains on Disposal of Property, Plant and Equipment	4,000,000	(4,000,000)	0	0	0	0	0	0	0	0.00
Profit on Sale of Land	0	0	0	0	0	0	0	0	0	0.00
<b>Total Revenue</b>	<b>1,324,090,793</b>	<b>(70,728,290)</b>	<b>1,253,362,518</b>	<b>0</b>	<b>0</b>	<b>1,253,362,518</b>	<b>1,293,062,908</b>	<b>0</b>	<b>41,700,390</b>	<b>103.33</b>
<b>Expenditure</b>										
Employee Related Costs	320,542,912	24,734,877	345,277,789	0	0	345,277,789	336,543,906	0	8,733,883	97.47
Remuneration of Councilors	18,436,833	(795,386)	17,641,447	0	0	17,641,447	17,641,423	0	24	100.00
Collection Costs	0	0	0	0	0	0	0	0	0	0.00
Depreciation and Amortisation	137,517,934	20,000,543	157,521,473	0	0	157,521,477	153,881,269	0	3,640,219	97.59
Impairment Losses	26,944,754	0	26,944,754	0	0	26,944,754	48,121,218	0	(21,176,464)	178.59
Repairs and Maintenance	0	0	0	0	0	0	0	0	0	0.00
Finance Costs	51,983,251	(2,666,038)	49,317,213	0	0	49,317,213	49,275,660	0	41,553	99.92
Bulk Purchases	483,811,521	(9,489,340)	474,322,181	0	0	474,322,181	466,494,342	0	7,827,839	98.35
Contracted Services	9,700,063	598,751	10,298,814	0	0	10,298,814	10,761,939	0	235,298	103.95
Grants and Subsidies Paid	884,628	1	884,629	0	0	884,629	427,636	0	(458,993)	48.34
Research and Development Costs	0	0	0	0	0	0	0	0	0	0.00
General Expenses	274,233,143	(11,009,593)	263,223,550	0	(700,453)	262,523,097	263,621,785	(1,098,688)	(1,098,688)	100.42
Other Losses on Continued Operations	0	0	0	0	0	0	0	0	0	0.00
Loss on Disposal of Property, Plant and Equipment	0	0	0	0	0	0	0	0	0	0.00
<b>Total Expenditure</b>	<b>1,324,055,039</b>	<b>21,374,815</b>	<b>1,345,429,846</b>	<b>0</b>	<b>0</b>	<b>1,345,429,814</b>	<b>1,346,769,167</b>	<b>(22,275,161)</b>	<b>(1,339,353)</b>	<b>100.10</b>
<b>Surplus/(Deficit)</b>	<b>35,754</b>	<b>(92,103,104)</b>	<b>(92,067,296)</b>	<b>0</b>	<b>0</b>	<b>(92,067,296)</b>	<b>(51,706,259)</b>	<b>(22,275,161)</b>	<b>40,361,037</b>	<b>55.77</b>
Transfers Recognised - Capital	48,470,844	8,292,032	74,103,079	0	0	56,762,876	56,630,809	0	(132,067)	99.77
Contributions Recognised - Capital and Contributed Assets	0	0	0	0	0	0	0	0	0	0.00
<b>Surplus/(Deficit) after Capital Transfers and Contributions</b>	<b>48,506,598</b>	<b>(83,811,072)</b>	<b>(17,964,249)</b>	<b>0</b>	<b>0</b>	<b>(35,304,420)</b>	<b>4,924,550</b>	<b>(22,275,161)</b>	<b>40,228,970</b>	<b>10.15</b>
Surplus / (Deficit) from Discontinued Operations	0	0	0	0	0	0	0	0	0	0.00
Share of Surplus/(Deficit) of Associate	0	0	0	0	0	0	0	0	0	0.00
<b>Surplus/(Deficit) for the Year</b>	<b>48,506,598</b>	<b>(83,811,072)</b>	<b>(17,964,249)</b>	<b>0</b>	<b>0</b>	<b>(35,304,420)</b>	<b>4,924,550</b>	<b>(22,275,161)</b>	<b>40,228,970</b>	<b>10.15</b>
<b>CAPITAL EXPENDITURE PER FUNCTION</b>										
Executive and Council	1,540,000	491,446	2,031,446	0	(30,000)	2,001,446	1,781,737	0	(219,709)	89.02
Finance and Administration	1,660,000	0	1,660,000	0	(927,300)	732,700	525,672	0	(207,028)	71.74
Planning and Development	23,285,661	22,994,755	46,280,416	0	(18,007,133)	28,273,283	26,107,725	0	(2,165,558)	92.34
Health	1,438,268	(5,268)	1,433,000	0	0	1,433,000	1,374,497	0	(58,503)	95.92
Community and Social Services	183,000	(100,000)	83,000	0	20,000	103,000	98,326	0	(4,674)	95.47
Housing	8,627,258	1,245,601	9,872,859	0	(331,744)	9,541,115	9,013,133	0	(527,983)	94.47
Public Safety	15,849,511	(7,149,462)	8,700,049	0	(193,095)	8,506,954	6,744,820	0	(1,762,134)	79.29

**DRAKENSTEIN MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013**

Description	2012/2013									
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget
Sport and Recreation	1,575,831	(10,000)	1,565,831	0	0	1,565,831	898,950	0	(726,881)	53.58
Environmental Protection	7,657,985	(650,185)	7,017,800	0	(412,789)	6,605,011	5,852,002	0	(753,009)	88.60
Waste Management	5,950,000	25,781	5,975,781	0	(20,000)	5,955,781	3,406,771	0	(2,549,010)	57.20
Roads and Transport	119,139,326	(825,617)	118,313,709	0	(25,360,698)	92,953,111	92,909,834	0	(43,277)	99.95
Water	23,712,844	11,283,821	34,996,665	0	(16,540,516)	18,456,149	18,140,402	0	(315,747)	98.29
Electricity	41,960,000	0	41,960,000	0	(3,525,839)	38,434,161	38,417,946	0	(16,215)	91.56
Other	32,232,583	7,258,763	39,491,346	0	(7,265,500)	32,225,846	30,012,232	0	(2,213,614)	93.13
<b>Total Sources of Capital Funds</b>	<b>284,822,268</b>	<b>34,559,735</b>	<b>319,382,003</b>	<b>0</b>	<b>(72,594,614)</b>	<b>246,787,389</b>	<b>235,214,043</b>	<b>0</b>	<b>(11,573,341)</b>	<b>95.31</b>
<b>CASH FLOW</b>										
Cash Flows from/(used in) Operating Activities	181,022,725	42,321,561	138,701,163	0	(11,393,903)	127,307,260	125,615,126	0	(1,692,134)	98.67
Cash Flows from/(used in) Investing Activities	(273,152,314)	45,729,689	(318,882,003)	0	72,594,614	(246,287,389)	(235,256,090)	0	11,031,299	95.70
Cash Flows from/(used in) Financing Activities	168,673,087	0	168,673,087	0	(29,150,000)	139,523,087	133,529,746	0	(5,993,341)	95.70
Cash/cash equivalents at the year begin:	76,543,498	88,051,250	(11,507,753)	0	32,050,711	20,542,958	23,888,782	0	3,345,824	116.29
Cash/cash equivalents at the year end:	111,957,156	0	111,957,156	0	111,957,156	111,957,156	111,957,156	0	0	100.00
<b>Cash/cash equivalents at the year end:</b>	<b>188,500,654</b>	<b>88,051,250</b>	<b>100,449,403</b>	<b>0</b>	<b>144,007,867</b>	<b>132,500,114</b>	<b>135,545,938</b>	<b>0</b>	<b>115,302,980</b>	<b>102.53</b>
										<b>72.07</b>

## DRAKENSTEIN MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### 1. BASIS OF PRESENTATION

These annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in the note on changes in accounting policies

These standards are summarised as follows:

Reference	Topic
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Inventory Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets

GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 26	Impairment of Cash-generating Assets
GRAP 100	Non-current Asset Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
IFRS 4	Insurance contracts
IFRS 6	Exploration for and evaluation of mineral resources
IAS 12	Income taxes
IGRAP 1**	Applying the probable test on initial recognition of exchange revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a lease
IGRAP 4	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IFRIC 12	Service concession arrangements
SIC 25	Income taxes – Changes in the status of an enterprise or its shareholders
SIC 29	Disclosure service concession
Directive 1	Repeal of existing transitional provisions in, and consequential amendments to, standards of GRAP
Directive 2	Transitional provisions for the adoption of GRAP by public entities, municipal entities and constitutional institutions
Directive 3	Transitional provisions for the adoption of GRAP by high capacity municipalities
Directive 4	Transitional provisions for the adoption of GRAP by medium and low capacity municipalities
Directive 5	Determine the GRAP reporting framework
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP
ASB Guide 1	Guideline on accounting for public private partnerships

The Cash Flow Statement is prepared using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with Paragraphs 7, 11 and 12 of GRAP 3. Where a standard of GRAP that has been issued by the Accounting Standards Board, but for which an effective date has not yet been determined by the Minister of Finance, accounting policies were developed based on the relevant GRAP standard.

## 2. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Reference	Topic
GRAP 18	Segment Reporting - issued March 2005
GRAP 20	Related Party Disclosures (Revised)
GRAP 25	Employee Benefits - issued December 2009
GRAP 105	Transfers between entities under common control - issued November 2010
GRAP 106	Transfers between entities not under common control - issued November 2010
GRAP 107	Mergers - issued November 2010

The Minister of Finance announced that the application of GRAP 25 will be effective for period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors."

The Municipality applied the principles established in the following Standard of GRAP that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with the following transactions, but have not early adopted this Standard: Employee Benefits (GRAP 25).

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

## 3. CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the



revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

- **Operating lease commitments – Municipality as lessor**  
Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.
- **Pension and other post-employment benefits**  
The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.
- **Classification of financial assets and liabilities**  
The classification of financial assets and liabilities, into categories, is based on judgement by management. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

- **Impairment of financial assets**  
The Accounting Policy Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

- **Review of useful lives of property, plant and equipment and intangible assets**  
The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

- **Impairment of property plant and equipment, intangible assets, heritage assets and inventory**

The Accounting Policies on Impairment of Cash and Non-cash generating assets as well as Inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to the impairment of PPE, Intangible Assets and Heritage Assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets.

- **Provisions and contingent liabilities**

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities, as set out in the note on Provisions. Provisions are discounted where the effect of discounting is material.

- **Revenue recognition**

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular: when goods are sold, whether the municipality had transferred to the buyer the significant risks and rewards of ownership of the goods; and, when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

- **Budget Information**

Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the annual financial statements

#### **4. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand and are rounded off to the nearest Rand.

#### **5. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

#### **6. OFFSETTING**

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability

simultaneously.

## **7. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act (Act No. 107 of 1997).

### **7.1 Housing Development Fund**

Sections 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, required that the Municipality maintain a separate housing operating account. This legislated separate operating account is known as the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, inter alia, Section 16(2), that the net proceeds of any letting, sale or alienation of property, previously financed from government housing funds, be paid into a separate operating account, and be utilised by the Municipality for housing development in accordance with the National Housing Policy.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Housing.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

### **7.2 Un-realized Housing Proceeds**

In order to comply with Section 14(4)(d)(i) and (ii) of the Housing Act, (Act 107 of 1997) where all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account which represents the un-realized funds due by long-term housing selling schemes and sponsored loan debtors. This account is reduced when debtors are billed for their payment.

## **8. ACCUMULATED SURPLUS**

The municipality creates and maintains reserves in terms of specific requirements. These reserves form part of the Accumulated Surplus

### **8.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash ring-fenced in the CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated

surplus / (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

## **8.2 Capitalisation Reserve**

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus / (deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus / (deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus / (deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus / (deficit).

## **8.3 Insurance Reserve**

A general Insurance Reserve has been established and, subject to re-insurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

Reinsurance premiums paid to external re-insurers are regarded as an expense and are shown as such in the Statement of Financial Performance. The net surplus or deficit on the insurance operating account is transferred to or from the insurance reserve via the Statement of Changes in Net Assets.

The balance of the self-insurance reserve is invested in short term cash investments. Interest earned on the insurance reserve is recorded as interest earned in the Statement of Financial Performance and is transferred to the Insurance reserve via the Statement of Changes in Net Assets as a contribution.

## **8.4 Government Grant Reserve**

The municipality has applied GRAP 23 as a result capital grants and receipts relating to the creation of fixed assets are included in non-current liabilities as Government Grants and Subsidies. The accounting policy on conditional grants and receipts is set out in accounting policy note 23.

## **8.5 Revaluation Reserve**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as re-valued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/ (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/ (deficit) while gains or losses on disposal, based on re-valued amounts are credited or charged to the Statement of Financial Performance.

## **9. PROVISIONS**

Provisions are recognized when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

### **9.1 Environmental rehabilitation provisions**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

## **10. PROPERTY, PLANT AND EQUIPMENT**

### **10.1 Initial recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one

year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

## **10.2 Subsequent measurement**

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and building and including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation."

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

### 10.3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

The estimated useful life, residual values and depreciation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Asset class	Useful lives as applied in the FAR (years)
<b>Infrastructure</b>	
Roads and paving	5-100
Pedestrian Malls	7-100
Electricity	4-75
Water	0-100
Sewerage	5-100
Housing	30
<b>Community</b>	
Improvements	5-30
Recreational facilities	5-36
Security	3-5
Land	0
<b>Other</b>	
Buildings	30
Specialist vehicles	3-20
Other vehicles	3-10

Office equipment	3-10
Furniture & fittings	5-10

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

#### **10.4 De-recognition of property, plant and equipment**

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

### **11. INTANGIBLE ASSETS**

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortization is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.



## 12. INVESTMENT PROPERTIES

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use.
- A building owned (or held by under a finance lease) and leased out under one or more operating leases.
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held.
- A building that is vacant but is held to be leased out under one or more operating leases.
- Property that is being constructed or developed for future use as investment property;

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers on reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the Municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the Municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy for property, plant and equipment).

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **13. HERITAGE ASSETS**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

The Municipality classifies assets as Heritage Assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified as Heritage Assets, furthermore land with a natural significance is not componentised but seen as a single Heritage asset due to all parts contributing together to make up its significance.

#### **13.1 Initial recognition**

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

#### **13.2 Subsequent measurement**

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding Heritage assets which are land and buildings) are measured at cost, less accumulated impairment losses. Heritage assets are not

depreciated

Subsequent to initial recognition, land and buildings which qualify as Heritage Assets are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

### **13.3 De-recognition of heritage assets**

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the de-recognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

### **13.4 Transitional provisions**

The municipality utilised the transitional provisions under Directive 4, which allows 3 year for the measurement of heritage assets.

## **14. BIOLOGICAL ASSETS**

Biological assets are measured at each balance sheet date at their cost or fair value less estimated point-of-sale costs. The fair value of livestock is determined by using the present value of expected net cash flows from the asset discounted at the municipality's required rate of return.

Gains or losses arising on initial recognition of a biological asset at cost or fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset shall be included in profit or loss for the period in which it arises.

## **15. INVENTORIES**

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for plants and compost, which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventories comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Consumables are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs."

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### **15.1 Water inventory**

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

### **15.2 Housing inventory**

Housing inventory is BNG houses still in process of construction, or completed and not yet transferred. These houses are entirely funded by the National Department of Human Settlements, through the Western Cape Department of Human Settlements, but the Municipality is regarded as principle in terms of GRAP and therefore recognises these costs as inventory up to the point of transfer to the allocated beneficiary where after the cost is expensed through the Statement of Financial Performance. Housing inventory is measured at the lower of cost and current replacement cost as they will be distributed through a non-exchange transaction.

## **16. NON CURRENT ASSETS HELD-FOR-SALE**

### **16.1 Initial recognition**

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

## **16.2 Subsequent measurement**

Non-current Assets (and Disposal Groups) classified as held-for-sale, are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

## **17. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND HERITAGE ASSETS**

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

### **17.1 Impairment of cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset."

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

## **17.2 Impairment of non-cash generating assets**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## **18. EMPLOYEE BENEFITS**

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

### **18.1 Short-term employee benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

### **18.2 Post-employment benefits: Defined contribution plans**

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

### **18.3 Post-employment benefits: Defined benefit plans**

A **defined benefit plan** is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

#### **18.3.1 Post-retirement Health Care Benefits:**

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. The other Medical Aid Funds, with which the Municipality is associated, do not provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried

out annually by independent qualified actuaries.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

### **18.3.2 Ex-gratia Pension Benefits:**

The Municipality provides pension and retirement gratuity benefits to certain employees who were in the employment of the former Paarl and Wellington Municipalities (now incorporated into the Drakenstein Municipality) at 31 December 1994 (Paarl) and 31 March 1995 (Wellington) and still in the employment of Drakenstein Municipality at date of normal retirement, medical disability, retrenchment or death. The gratuity is calculated on the salary benefits during 1994/1995.

## **18.4 Long-service allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

## **18.5 Provincially-administered defined benefit plans**

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 6 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

The municipality does not apply defined benefit accounting to the defined benefit funds to which it is a member where these funds are classified in terms of GRAP as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds.

Salaried personnel are members of the Cape Joint Pension fund established in terms of the Local Authorities Pension Fund Ordinance, 1969 (Ordinance 23 of 1969), and the provisions of the Pension Fund Act, 1956 (Act 24 of 1956) or the SAMWU National Provident Fund.

## **18.6 Leave pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position.



## **19. LEASES**

### **19.1 Lease classification**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

### **19.2 The Municipality as lessee**

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### **19.3 The Municipality as lessor**

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

## **20 BORROWINGS**

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

## 21 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

### 21.1 Classification of financial instruments

#### 21.1.1 Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

*Financial asset at amortised cost* being non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

*Financial assets measured at fair value* being financial assets that meet either of the following conditions:

- (a) Derivatives;
- (b) Combined instruments that are designated at fair value;
- (c) Instruments held for trading;
- (d) Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

*Financial assets measured at cost* being investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Finance Lease Receivables	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Current portion of Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Investments in Stock – (Eskom)	Financial assets at fair value

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

### **21.1.2 Financial Liabilities**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of Financial Liabilities and the classification determining how they are measured exist:

- (i) Financial liabilities measured at fair value; or
- (ii) Financial liabilities measured at amortised cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives)

Any other financial liabilities should be classified as financial liabilities at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

## **21.2 Initial and subsequent measurement**

### **21.2.1 Financial assets:**

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

### **21.2.2 Financial liabilities:**

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

## **21.3 Impairment of financial assets**

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Trade receivables encompass long term debtors, consumer debtors and other debtors. A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 104, the assessment for impairment needs to be made for each individual financial asset separately or for groups of financial assets with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

### **21.3.1 Consumer debtors**

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

### **21.3.2 Other debtors**

Other Debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

### **21.3.3 Long term debtors**

- Housing Loans

The loans in this group are assessed by reviewing their payment histories and ratios. Provision for impairment is made accordingly.

- Other Long Term Debtors

No provision for impairment is made for Other Debtors, because it is envisaged that these debts will be fully recovered.

Other financial assets at amortised cost are assessed individually for impairment.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## **21.4 De-recognition of financial assets**

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## **21.5 De-recognition of financial liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

## **22 REVENUE RECOGNITION**

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

### **22.1 Revenue from exchange transactions**

#### **22.1.1 Service charges**

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

#### **22.1.2 Pre-paid electricity**

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

#### **22.1.3 Interest earned and rentals received**

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund or the Insurance Reserve.

Interest earned on the following investments is not recognized in the Statement of Financial Performance:-

- Interest earned on Trust Funds is allocated directly to the fund and is not recognized in the Statement of Financial Performance.
- Interest earned on unutilized conditional grants is allocated directly to the creditor: unutilized conditional grants, if the grant conditions indicate that interest is payable to the funder.

#### **22.1.4 Dividends**

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

#### **22.1.5 Tariff charges**

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

#### **22.1.6 Income from agency services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

#### **22.1.7 Housing rental and instalments**

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

#### **22.1.8 Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.

- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

## **22.2 Revenue from non-exchange transactions**

### **22.2.1 Rates and taxes**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

### **22.2.2 Fines**

Fines constitute both spot fines and summonses. When an estimate can be made for the revenue amount that is expected to be collected from spot fines based on past experience of amounts collected, this is recognized as revenue. Where a reliable estimate cannot be made, revenue from spot fines is recognized when paid by the offender. Revenue from the issuing of summonses is only recognized when notified by the public prosecutor of the amount actually collected.

### **22.2.3 Donations and contributions**

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.



### **22.2.4 Government grants and receipts**

- Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

- Conditional grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

- Interest earned on unspent grants and receipts

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance in accordance with GRAP 9

### **22.2.5 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

## **23 VALUE ADDED TAX**

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

## **24 GRANTS-IN-AID**

The municipality transfers money to individuals, organizations and other sectors of government from time to time. When making these transfers, the municipality does not:-

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognized in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

## **25 AUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **26 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **27 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

## **28 FOREIGN CURRENCIES**

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

## **29 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS**

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the annual financial statements where applicable.

## **30 RELATED PARTIES**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and

all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

### **31 EVENTS AFTER THE REPORTING DATE**

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

### **32 COMPARATIVE INFORMATION**

#### **32.1 Current year comparatives**

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving motivations for over- or under spending on line items where it is found to be material. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2013.

In general a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material.

#### **32.2 Prior year comparatives**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

### **33 CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

**DRAKENSTEIN MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
<b>1 HOUSING DEVELOPMENT FUND</b>		
<i>Realised Housing Proceeds</i>		
Balance at beginning of the year	38,643,612	32,061,292
Plus : Interest & Redemption & Other on Housing Schemes	2,693,347	2,927,479
Less : (Net Loss) / Surplus on letting schemes	(970,360)	2,262,657
Less : Housing Subsidies Expenditure	(659,422)	(607,816)
Balance at the end of the year	37,897,159	38,643,612
<i>Unrealised Housing Proceeds</i>		
Balance at beginning of the year	5,029,112	5,519,977
Long term Housing Loans	(496,673)	(490,665)
Balance at the end of the year	4,532,439	5,029,112
<b>TOTAL</b>	<b>42,429,597</b>	<b>41,672,724</b>

**2. REVALUATION RESERVE**

Re-valuation Reserve	1,093,406,607	1,102,609,622
<b>Total Reserves</b>	<b>1,093,406,607</b>	<b>1,102,609,622</b>

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Distributions from the Revaluation Reserve can be made where they are in accordance with the requirements of the municipality's accounting Policy and relevant case law. The payment of cash distributions out of the reserve is restricted by the terms of the municipality's Accounting policy. These restrictions do not apply to any amounts transferred to Accumulated Surplus. The Council do not currently intend to make any distribution from the Revaluation Reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Reserves.

**3 ACCUMULATED SURPLUS**

Capital Replacement Reserve	20,093,466	22,766,563
Capitalisation Reserve	528,605,626	558,493,240
Self-Insurance Reserve	1,745,223	1,934,178
Government grant and subsidies	361,343,693	314,981,093
Accumulated Surplus due to the results of Operations	1,524,317,206	1,523,021,177
<b>Total Accumulated Surplus</b>	<b>2,436,105,219</b>	<b>2,421,196,251</b>

The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The Capitalisation Reserve equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The Capital Replacement Reserve and the Self-Insurance Reserve is fully funded and invested in ring-fenced financial Instruments.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**4. NON CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE**

Other Assets held for sale	1,933,022	1,983,022
<b>Total Assets classified as Non Current Assets Held-for-Sale</b>	<b>1,933,022</b>	<b>1,983,022</b>

Non current assets classified as held-for-sale relate to the discontinued Health services operations that is still in the process of transfer to the Western Cape Department of Health.

**5. LONG-TERM LIABILITIES**

Annuity Loans	630,237,053	500,494,166
Finance Leases	0	0
<b>Sub-total</b>	<b>630,237,053</b>	<b>500,494,166</b>
Less : Current portion transferred to current liabilities	(98,262,569)	(57,242,133)
Annuity Loans	(98,262,569)	(57,242,133)
Finance Leases	0	0
<b>Total Long-term Liabilities (Refer to Appendix A for more detail)</b>	<b>531,974,484</b>	<b>443,252,033</b>

**5.1 Summary of Arrangements**

Annuity Loans are repaid over periods varying from 3 to 10 (2012: 3 to 10) years and at interest rates varying from 6.75% to 12.65% (2012: 6.75% to 15.00%) per annum. Annuity Loans are not secured.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**5.2 Obligations under Finance Leases**

The Municipality as Lessee:

This municipality do not have any assets financed from finance leases

## 6. RETIREMENT BENEFIT OBLIGATION

Post Employment Health Care Benefits  
Ex-Gratia Pension Benefits

2013	2012
R	RESTATED R
111,610,119	106,550,875
5,602,123	7,468,823
117,212,242	114,019,698
(6,456,298)	(6,299,345)
(5,967,048)	(5,632,308)
(469,248)	(667,037)
110,755,946	107,720,353

Less: Transfer to Current Obligations

Post Employment Health Care Benefits  
Ex-Gratia Pension Benefits

Non-Current defined Benefit Plan Obligation

## 6.1 Post Employment Health Care Benefits

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr. Chanan Weiss of Arch Actuarial Consultants cc. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service Members (Employees)  
Continuation Members (Retirees)  
Total Members

580	553
205	219
785	772

The liability in respect of past service has been estimated as follows:

In-service Members  
Continuation Members  
Total Liability

32,952,000	26,780,499
78,658,119	79,770,376
111,610,119	106,550,875

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Mosmed
- Global Health
- LA Health
- Munimed
- Pro Sano
- Samwummed

The Future-service Cost for the ensuing year is estimated to be R 2,390,513 whereas the Interest Cost for the year after is estimated to be R 9,066,423)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

## i) Rates of Interest

Discount Rate  
Health Care Cost Inflation Rate  
Net Effective Discount Rate

8.34%	7.44%
7.45%	6.81%
0.82%	0.59%

## ii) Mortality rates

The PA 50 ultimate Mortality table was used by the actuaries.

## iii) Normal retirement age

Expected Retirement Age is 60 or 65, depending on terms of employment contract.

The amounts recognised in the Statement of Financial Position are as follows:

Fair value of plan assets  
Unrecognised Actuarial Gains / (Losses)  
Present value of unfunded obligations

0	0
111,610,119	106,550,875
0	0
111,610,119	106,550,875

Total Benefit Liability

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost  
Interest cost  
Actuarial losses / (gains) recognised

1,899,338	2,743,617
7,722,166	9,928,839
1,704,923	(15,808,053)

Total Post-retirement Benefit Included in Employee Related Costs (Note 28)

11,326,427	(3,135,547)
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Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year  
Service costs  
Interest cost  
Benefits paid  
Actuarial losses / (gains) recognised  
Over provision of the opening balance

106,550,875	115,587,000
1,899,338	2,743,617
7,722,166	9,928,839
(6,267,183)	(5,900,578)
1,704,923	(15,808,053)
0	0

Present Value of Fund Obligation at the end of the Year

111,610,119	106,550,875
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Movements in the present value of the Defined Benefit Assets were as follows:

Balance at the beginning of the year  
Contributions from the employer  
Benefits paid

0	0
6,267,183	5,900,578
(6,267,183)	(5,900,578)

Balance at the end of the year

0	0
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The history of experienced adjustments is as follows:

	2013	2012	2011	2010	2009
	R	R	R	R	R
Present Value of Defined Benefit Obligation	111,610,119	106,550,875	115,586,597	104,369,540	99,549,847
Fair Value of Plan Assets	0	0	0	0	0
Deficit	111,610,119	106,550,875	115,586,597	104,369,540	99,549,847

Experienced adjustments on Plan Liabilities

0	0	0	0	0
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The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	1% Decrease	1% Increase
Effect on the aggregate of the current service cost and the interest cost	8,341,000	11,176,600
Effect on the defined benefit obligation	99,344,000	125,654,600

The municipality expects to make a contribution of R 5,967,048 to the Defined Benefit Plan during the next financial year.

Refer to Note 48 "Other Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

## 6.2 Ex-Gratia Pension Benefits

The Municipality provides pension benefits to all employees that are not members of the Pension – or Provident Funds, that have completed at least 10 years of service at the Council and have reached the age of 60.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr. Chanan Weiss of Arch Actuarial Consultants cc. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Ex-Gratia Pension Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service Members (Employees)	322	419
Continuation Members (Retirees)	37	39
<b>Total Members</b>	<b>359</b>	<b>458</b>

The liability in respect of past service has been estimated as follows:

In-service Members	0	0
Continuation Members	5,602,123	7,468,823
<b>Total Liability</b>	<b>5,602,123</b>	<b>7,468,823</b>

The contribution rate payable is as follows:

For continuation members, the member contribution is 70 % and the Council contribution is 30%. For current employees the contribution rate is 60/40.

The interest-cost for the next year is estimated to be R 410,235. Actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

### i) Rates of Interest

Discount Rate	7.65%	7.15%
Pension Increase rate - pensioners	7.18%	6.08%
Net Effective Discount Rate	0.44%	1.05%

### ii) Mortality rates

The PA 90 Ultimate Mortality table was used by the actuaries.

### iii) Normal retirement age

Expected Retirement Age is 60 or 65, depending on terms of employment contract.

The amounts recognised in the Statement of Financial Position are as follows:

Fair value of plan assets	0	0
Unrecognised Actuarial Gains / (Losses)	0	0
Present value of unfunded obligations	5,602,123	7,468,823
<b>Total Benefit Liability</b>	<b>5,602,123</b>	<b>7,468,823</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	0	0
Interest cost	523,784	592,402
Actuarial losses / (gains) recognised	(1,916,231)	437,968

**Total Post-retirement Benefit Included in Employee Related Costs (Note 28)**

<b>(1,392,447)</b>	<b>1,030,370</b>
--------------------	------------------

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	7,468,823	6,696,414
Service costs	0	0
Interest cost	523,784	592,402
Benefits paid	(474,253)	(457,961)
Actuarial losses / (gains) recognised	(1,916,231)	437,968

**Present Value of Fund Obligation at the end of the Year**

<b>5,602,123</b>	<b>7,468,823</b>
------------------	------------------

Movements in the present value of the Defined Benefit Assets were as follows:

Balance at the beginning of the year	0	0
Contributions from the employer	474,253	457,961
Benefits paid	(474,253)	(457,961)

**Balance at the end of the year**

<b>0</b>	<b>0</b>
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The history of experienced adjustments is as follows:

	2013 R	2012 R	2011 R	2010 R	2009 R
Present Value of Defined Benefit Obligation	5,602,123	7,468,823	6,644,414	6,765,418	3,457,182
Fair Value of Plan Assets	0	0	0	0	0
<b>Deficit</b>	<b>5,602,123</b>	<b>7,468,823</b>	<b>6,644,414</b>	<b>6,765,418</b>	<b>3,457,182</b>
Experienced adjustments on Plan Liabilities	0	0	0	0	0

The effect of a 1% movement in the assumed rate of pension increase inflation is as follows:

	1% Decrease	1% Increase
Effect on the interest cost	510,333	538,827
Effect on the defined benefit obligation	5,359,719	5,828,758

The municipality expects to make a contribution of R 489,248 to the Defined Benefit Plan during the next financial year.

Refer to Note 48 "Other Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.



## 7. NON-CURRENT PROVISIONS

7.1. Provision for rehabilitation are reconciled as follows:

	61,734,416	58,913,771
The movement in Non-current Provisions are reconciled as follows:		
Landfill site		
Balance at beginning of year	58,913,771	53,475,145
Contributions in current year	3,973,025	9,604,166
Rehabilitation expenditure during the year	(1,152,350)	(4,165,570)
Balance of landfill site	61,734,416	58,913,771

In terms of GRAP 19 a provision has been made for the net present value of the future rehabilitation cost as follows:

	Proposed rehabilitation	2012/2013	2011/2012
Wellington (Existing)	2020/2021	16,945,069	16,739,353
Wellington (Old)	2020/2021	15,685,318	14,957,627
Couda	2015/2016	1,209,907	1,139,272
Saron	2014/2015	2,432,921	2,290,792
Harmon	2018/2019	1,048,259	985,178
Dal Jossafet	2017/2018	3,301,148	3,108,425
Orleans	2016/2017	7,721,824	7,271,621
Boy Louw	2013/2014	13,192,051	12,421,693

7.2. Provision for Long Service Awards

	17,892,023	14,989,750
	17,892,023	14,989,750
Less: Transfer to Current Provisions	(2,177,906)	(1,652,695)
Total Non-current Provisions	15,714,117	13,136,855

The movement in Non-current Provisions are reconciled as follows:

Long Service Awards		
Balance at beginning of year	14,939,750	11,505,679
Contributions in current year	1,813,264	896,000
Interest Cost	905,915	988,000
Over provision for contributions	0	0
Increase in provision (employee costs)	0	0
Expenditure incurred (benefits paid)	(2,024,833)	(1,460,242)
Actuarial Losses / (gains) recognised	2,207,927	3,060,313
Over provision of the opening balance	0	0
	17,892,023	14,989,750
Less: Transfer to Current Provisions	(2,177,906)	(1,652,695)
Balance of Non-current Provisions at end of year	15,714,117	13,136,855

### Long Service Awards

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuation of the present value of the defined benefit provision was carried out at 30 June 2012 by Mr. Chanan Weiss of Arch Actuarial Consultants

co. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 1,682 employees were eligible for Long-services Awards.

The Future-service Cost for the ensuing year is estimated to be R 1,241,235, whereas the Interest Cost for the year after is estimated to be R 1,192,377.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.09%	6.44%
Expected Rate of Salary Increase	6.73%	5.97%
Net Effective Discount Rate	0.33%	0.44%

The amounts recognised in the Statement of Financial Position are as follows:

Fair value of plan assets	0	0
Present value of unfunded obligations	17,892,023	14,989,750
Total Benefit Provision	17,892,023	14,989,750

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1,813,264	896,000
Interest cost	905,915	988,000
Past service cost	0	0
Actuarial Losses / (gains) recognised	2,171,037	3,060,313
Total expense included in Employee Related Costs (Note 28)	4,890,216	4,944,313

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	14,989,750	11,505,679
Current service costs	1,813,264	896,000
Interest cost	905,915	988,000
Benefits paid	(2,024,833)	(1,460,242)
Actuarial Losses / (gains) recognised	2,207,927	3,060,313
Balance at the end of the year	17,892,023	14,989,750

Movements in the present value of the Defined Benefit Assets were as follows:

Balance at the beginning of the year	0	0
Contributions from the employer	2,024,833	1,460,242
Benefits paid	(2,024,833)	(1,460,242)
Balance at the end of the year	0	0

The municipality expects to make a contribution of R 2,177,906 to the defined benefit plan during the next financial year.

## 8. CONSUMER DEPOSITS

Electricity and Water

	25,925,779	22,138,606
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Guarantees held in lieu of Electricity and Water Deposits

Guarantees held in lieu of Electricity and Water Deposits were R 14,145,034 (2012: R 13,586,784)

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

## 9. Payables from exchange transactions

Trade Creditors	74,521,956	68,914,487
Staff Leave provision	23,841,116	17,695,745
Performance bonus provision	0	302,937
Payments received in advance	21,577,425	14,877,309
Other creditors	65,358,606	68,205,038
Val on Provision for Impairment	(11,852,796)	(12,382,375)
<b>Total Creditors</b>	<b>193,476,306</b>	<b>157,613,141</b>

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties. The total liability in respect of leave amounts to R 23,841,116 as at 30 June 2013. The full amount is provided for.

## 10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

## Conditional Grants from other spheres of Government

Equitable Share	21,294,163	23,294,650
M/GSM/FRBG Grants	0	4,908,628
National Government : Budget Reform Programme ( FMG - Grant )	5,174,993	5,063,063
Provincial Government : Provincial Highways	0	0
Provincial Government : Housing	0	0
Provincial Government : Other projects	11,237,129	8,077,003
Other Institutions	845,462	1,238,907
	4,038,579	4,009,061

## Other Conditional Receipts

Developers Contributions - Water , Sewerage & Electricity	3,640,845	2,128,755
Developers Contributions - Electricity	1,639,931	1,487,635
Developers - Guarantees	520,099	510,304
	1,430,614	130,614

## Total Conditional Grants and Receipts

24,935,008	25,423,416
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These amounts are separately invested in terms of section 12 of the MFMA. Refer note 26 for more detail of grants from National and Provincial Government

Refer to Appendix "F" for more detail on Conditional Grants.

## 11. PROPERTY, PLANT AND EQUIPMENT

30 June 2013	Cost R	Accumulated Depreciation R	Carrying Value R
Land and Buildings	1,022,271,627	25,653,790	996,617,837
Infrastructure	4,876,511,451	2,306,528,144	2,569,983,306
Community	169,303,365	39,664,995	149,438,370
Other	369,976,813	217,828,159	152,148,615
Leased Assets	0	0	0
Housing Rental Schemes	235,770,605	26,653,113	208,917,492
Capital Spares	13,676,375	0	13,676,375
<b>Total Property, Plant and Equipment</b>	<b>6,707,510,237</b>	<b>2,616,728,241</b>	<b>4,090,781,995</b>

30 June 2012	Cost R	Accumulated Depreciation R	Carrying Value Restated R
Land and Buildings	1,011,693,857	19,566,453	992,127,404
Infrastructure	4,690,749,492	2,205,587,091	2,485,162,401
Community	177,117,360	30,658,787	146,458,573
Other	351,411,419	194,487,343	156,924,075
Leased Assets	0	(0)	0
Housing Rental Schemes	235,770,605	18,528,495	217,242,109
Capital Spares	9,985,048	0	9,985,048
<b>Total Property, Plant and Equipment</b>	<b>6,476,727,782</b>	<b>2,468,808,170</b>	<b>4,007,919,611</b>

A reconciliation of the carrying amount at the beginning and end of the period is set out in detail in Appendices B.

Total Property, Plant and Equipment held by the municipality at 30 June 2013 comprised the amounts analyzed as above.

## RECONCILIATION OF CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Infrastructure	Community	Housing	Other	Total (Excluding Capital Spares)
Carrying values as at 1 July 2011	992,984,784	2,367,795,031	133,753,190	56,918,351	169,954,415	3,712,408,771
Cost and revaluation	1,006,753,638	4,466,745,249	155,597,233	236,551,402	339,858,143	6,205,505,665
Accumulated depreciation	(13,768,855)	(2,098,949,218)	(21,844,043)	(3,674,203)	(178,903,728)	(2,317,140,047)
Acquisitions	8,071,661	224,004,243	21,540,627	0	15,430,654	269,047,485
Transfers/Adjustments	0	0	0	0	0	0
Depreciation	(5,797,593)	(106,617,673)	(8,830,688)	(14,907,315)	(18,669,851)	(154,823,326)
Impairment	0	0	0	0	0	0
Carrying value of disposals	(3,131,742)	0	(4,556)	(727,774)	(791,143)	(4,655,215)
Cost	(3,131,742)	0	(20,500)	(760,796)	(3,877,378)	(7,810,417)
Accumulated Depreciation	0	0	15,944	53,022	3,086,235	3,155,202
Carrying Values at 30 June 2012	992,127,404	2,485,182,401	146,458,573	217,242,109	156,924,075	3,997,934,563
Cost	1,011,693,857	4,690,749,492	177,117,360	235,770,605	351,411,419	6,468,742,733
Accumulated depreciation & impairment	(19,566,453)	(2,205,587,091)	(30,658,787)	(18,528,495)	(194,487,343)	(2,468,808,170)

## RECONCILIATION OF CARRYING VALUE OF PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Infrastructure	Community	Housing	Other	Total (Excluding Capital Spares)
Carrying values as at 1 July 2012	992,127,404	2,485,182,401	146,458,573	217,242,109	156,924,075	3,997,934,563
Cost and revaluation	1,011,693,857	4,690,749,492	177,117,360	235,770,605	351,411,419	6,468,742,733
Accumulated depreciation	(19,566,453)	(2,205,587,091)	(30,658,787)	(18,528,495)	(194,487,343)	(2,468,808,170)
Acquisitions	10,680,570	169,394,679	12,166,005	0	18,565,395	230,826,649
Transfers/Adjustments	0	0	0	0	0	0
Depreciation	(5,113,789)	(104,593,774)	(9,206,209)	(8,324,617)	(23,338,352)	(150,576,741)
Impairment	(973,547)	0	0	0	(2,503)	(976,050)
Carrying value of disposals	(102,600)	0	0	0	0	(102,600)
Cost	(102,600)	(3,632,721)	0	0	0	(3,735,321)
Accumulated Depreciation	0	3,632,721	0	0	0	3,632,721
Carrying Values at 30 June 2013	995,617,838	2,569,983,308	149,438,370	208,917,492	152,148,615	4,077,105,621
Cost and revaluation	1,022,271,627	4,876,511,451	169,303,365	235,770,605	369,976,813	6,693,833,662
Accumulated depreciation & impairment	(25,653,789)	(2,306,528,144)	(39,864,995)	(26,653,113)	(217,828,198)	(2,616,728,241)

**11.1 Land and Buildings carried at Fair Value:**

Land and Buildings were revalued to fair value at during the prior financial period. The effective date of revaluation was 30 June 2011 and the valuation was performed by registered and independent valuers.

**11.2 Assets pledged as security:**

No assets have been pledged as security.

**11.3 Impairment of Property, Plant and Equipment:**

The municipality tested its items of Property, Plant and Equipment, Intangible assets, Investment property and Heritage assets for any potential impairment losses on assets.

Impairment losses amounting to R 976,050 were recognised during the year in the operating surplus and included in impairment losses in the Statement of Financial Performance as follows per class of asset

Infrastructure Assets	973,547	0
Other Assets: Motor Vehicles	0	0
Other Assets: Buildings	0	0
Other Assets: Equipment, Furniture and fittings	2,503	0
<b>Total Impairments recognised</b>	<b>976,050</b>	<b>0</b>

No impairments were reversed in the current year, furthermore no impairment losses were recognised on revalued assets directly in the Statement of Net assets.

No material impairments were recognised related to a single asset during the financial year.

Impairment losses on the abovementioned assets exist predominantly due to the assets being damaged beyond repair, stolen, have been redundant or have been replaced (mostly in the case of infrastructure assets).

**11.4 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:**

A Review of the useful lives and residual values of items of Property, Plant and Equipment have been performed. The change in the estimated useful life of various assets of the municipality has resulted in the following (increases)/decreases in depreciation

Infrastructure Assets	4,255,870	793,639
Other Assets: Motor Vehicles	0	0
Other Assets: Buildings	0	283,679
Other Assets: Equipment, Furniture and fittings	528,682	1,169,691
<b>Total Change in Estimate for Useful Life of Property, Plant and Equipment</b>	<b>4,784,552</b>	<b>2,227,209</b>

The change in estimates will result in an increase of R 4,784,552 in the depreciation expense for the municipality over the next three financial years.

**11.5 Revaluation Surplus:**

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

The Revaluation Surplus is reconciled as follows:

Balance at beginning of year	1,102,609,622	1,154,597,294
Fair value i.r.o. Investment Property	0	0
Property not previously accounted for	0	0
Asset Transfers from PPE to Investment property	0	0
Depreciation offset to Accumulated surplus	(9,203,015)	(8,223,144)
Asset Disposals/Transfers/adjustments	0	(45,764,528)
<b>Balance at end of year</b>	<b>1,093,406,607</b>	<b>1,102,609,622</b>

**12. INTANGIBLE ASSETS**

	Cost R	Accumulated Amortisation R	Carrying Value R
<b>As at 30 June 2013</b>	<b>15,955,971</b>	<b>(7,875,199)</b>	<b>8,080,772</b>
Website development costs	769,954	(733,516)	36,438
Licences	2,837,358	(2,143,887)	693,470
Computer Software and systems	12,348,659	(4,997,795)	7,350,864
<b>As at 30 June 2012</b>	<b>11,568,572</b>	<b>(5,280,342)</b>	<b>6,288,230</b>
Website development costs	769,954	(587,765)	182,189
Licences	2,831,658	(1,727,048)	1,104,610
Computer Software and systems	7,966,960	(2,965,529)	5,001,431

The movement in Intangible assets are reconciled as follows:

	2013	2012
<b>Carrying value at the beginning of the year</b>	<b>6,288,230</b>	<b>4,584,697</b>
Cost	11,568,572	8,492,872
Accumulated amortisation	(5,280,342)	(3,908,175)
<b>Additions resulting from acquisitions</b>	<b>4,387,399</b>	<b>3,075,700</b>
Amortisation	(2,594,657)	(1,372,167)
<b>Carrying value at the end of the year</b>	<b>8,080,772</b>	<b>6,288,230</b>
Cost	15,955,971	11,568,572
Accumulated amortisation	(7,875,199)	(5,280,342)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 30).

The amortisation method and useful life of Intangible assets is set out in the accounting policy note of Intangible assets.

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

**13. INVESTMENT PROPERTY**

Vacant Land  
Land and Buildings

	0	0
	93,057,000	86,063,700
	93,057,000	86,063,700

The fair model is applied to Investment property.  
Criteria used to distinguish Investment property from owner-occupied property and from property held for sale in the ordinary course of business is set out in the accounting policy note of Investment property.

The movement in Investment properties are reconciled as follows:

Carrying value at the beginning of the year

Fair value

	86,063,700	86,063,700
	86,063,700	86,063,700

Plus: Additions resulting from transfers from Property Plant & Equipment

Additions resulting purchase of new building

Additions resulting revaluation of property to fair value

	0	0
	0	0
	6,993,300	0

Minus: Transfers resulting from Investment property to PPE

	0	0
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Carrying value at the end of the year

Fair value

	93,057,000	86,063,700
	93,057,000	86,063,700

**Method of Asset Valuation 2013**

The date of valuation was on 30 June 2013

Each property has been identified and inspected and revalued. Each of the three main methods (investment approach, direct comparison and cost) of valuing property has been adopted depending on the specific property.

A register containing the information required by section 63 of the Municipal Management Finance Act is available for inspection at the registered offices of the municipality.

Revaluation of all Investment Property was performed by an accredited valuator Mr E Marais of Erik Marais and Associates (T/A Rhode Valuations Wellington) Reg No 1988/011175/23)

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property

Direct Operating Expenses - incurred to generate rental revenue

Direct Operating Expenses - incurred which did not generate rental revenue

	113,744	97,849.00
	-	-
	-	-

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

**14. HERITAGE ASSETS**

At Revaluation amount

At Cost less Accumulated Impairment Losses

	33,471,899	33,471,899
	62,037	62,037

The movement in Heritage Assets is reconciled as follows:

	Historical and Natural Significant Land and Buildings	Paintings	Other Heritage assets	Total
Carrying values at 30 June 2013	33,471,899	62,037	-	33,533,936
Cost	-	62,037	-	62,037
Accumulated Revaluation	33,471,899	-	-	33,471,899
Accumulated Impairment	-	-	-	-
Carrying values at 30 June 2013	33,471,899	62,037	-	33,533,936
Cost	-	62,037	-	62,037
Accumulated Revaluation	33,471,899	-	-	33,471,899
Accumulated Impairment Losses	-	-	-	-
Carrying values at 1 July 2012	33,471,899	60,237	-	33,532,136
Cost	-	60,237	-	60,237
Accumulated Revaluation	33,471,899	-	-	33,471,899
Accumulated Impairment	-	-	-	-
Carrying values at 1 July 2012	33,471,899	60,237	-	33,532,136
Cost	-	60,237	-	60,237
Accumulated Revaluation	33,471,899	-	-	33,471,899
Accumulated Impairment Losses	-	-	-	-

The municipality, has taken advantage of the transitional provisions in Directive 4 from the Accounting Standards Board with the implementation of GRAP 103. The municipality is currently in a process of identifying all Heritage Assets and have it valued in terms of GRAP 103 and it is expected that this process will be completed for inclusion in the 2014/15 Annual Financial Statements. Although items previously recognised as property, plant and equipment assets were reclassified as heritage assets, the municipality will during the remaining periods for which it can utilise the transitional provisions, evaluate the values at which these items were initially recognised as property, plant and equipment to the value thereof in regards to its significance as heritage assets.

Heritage Assets have been restated to correctly classify amounts held for Heritage Assets in terms of GRAP 103, previously included in Property, Plant and Equipment. Refer to Note 39.2 on "Change in Accounting Policy" for details of the restatement.

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Heritage Assets

**14.1 Significant Heritage Assets not Recognised**

As the Municipality has opted to take advantage of the transitional provisions in Directive 4, it has not yet recognised and measured the following heritage assets:

8 Mayoral and deputy Mayoral Chairs.

Ok wagons owned by the Municipality and housed (on loan) at the De Poort Centre.

Various memorabilia items of historical significance related to the towns within the Drakenstein Municipality.

## 15 INVESTMENTS

Listed		
Eskom stock at amortised cost		
Total listed Investments	153,005	160,822
(Available for sale)	153,005	160,822
Unlisted		
Bank Deposits		
Other Short-term Deposits		
Total unlisted Investments	70,633,984	102,165,057
	70,633,984	102,165,057
The fair value of the listed Investments is estimated at R 153,004 (2012: R 160,821,611). Fair value is determined based on discounted cash flow analysis, at a discounted rate of 7.7250%, (2012: 7.21%)		
Total	70,766,989	102,325,879
Less: current portion maturing within next twelve months - refer note 21	(70,633,934)	(102,165,057)
Total (non-current)	133,055	160,822

Listed Shares are Investments with a maturity period of more than 12 months and earn fixed interest rates of 13.5% per annum.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

## 16 LONG-TERM RECEIVABLES

As at 30 June 2013	Gross Balances R	Impairment Provision R	Net Balances R
Loans to employees	0	0	0
Sporting bodies 1	8,123	0	8,123
Public organisations	77,834	0	77,834
Housing selling scheme loans	4,532,433	(2,687,533)	1,844,900
	4,618,395	(2,687,533)	1,930,862
Less: Current Portion transferred to Current Receivables:-			
Loans to employees			291,916
Sporting bodies 1			0
Public organisations			15,773
Housing selling scheme loans			0
			276,143
Total Long-term Receivables			1,438,946
As at 30 June 2012	R	R	R
Loans to employees	0	0	0
Sporting Bodies 1	31,553	0	31,553
Public organisations	239,606	(50,873)	188,733
Housing selling scheme loans	5,029,111	(3,693,277)	1,365,834
	5,300,470	(3,714,150)	1,586,320
Less: Current Portion transferred to Current Receivables:-			
Sporting bodies 1			303,485
Public organisations			0
Housing selling scheme loans			30,071
			9,434
			263,979
Total Long-term Receivables			1,282,836

## Sporting bodies

To encourage sporting bodies to contribute to the capital expenditure of sporting facilities, loans were made to provide the necessary financial assistance. These loans attract interest at prime rate less 2.5% per annum and are repayable over a maximum period of 20 years.

## Public Organisations

Loans to public organisations are granted in terms of the national housing policy. The applicable interest rate and loan repayment periods are determined by the National Minister of Housing. At present these loans attract interest at 1%(buildings) and 11%(infrastructure) and are repayable over 30 years.

## Housing selling scheme loans

Housing loans are granted to qualifying individuals in terms of the national housing policy. These loans attract interest, as determined by the National Minister of Housing, currently 13.5% per annum and are repayable over 20 years.

## 15.1 Reconciliation of the Provision for Impairment

Balance at beginning of year		3,714,151	1,593,718
Impairment Losses recognised		626,618	0
Impairment Losses reversed		0	2,120,433
Balance at end of year		2,887,533	3,714,151

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

## 17 INVENTORY

Consumable stores	4,351,965	5,281,827
Maintenance materials	35,224,797	39,418,811
Water	2,659,187	2,603,651
Spare parts for plant & Equipment	159,435	129,240
Plants held for resale	650,960	611,925
Inventory BNG Houses	17,017,753	15,580,835
Less: Inventory held as spare parts for infrastructure assets	(13,676,376)	(9,885,048)
Total Inventory	46,787,723	53,541,441

No Inventories were pledged as security for liabilities.

\*Inventories of R 13,676,376 (2012 : R9,985,048) are held as spare parts for infrastructure assets and have been transferred to Property, Plant and Equipment.

Included in the Inventory above is BNG houses still in process of construction, which on completion will be transferred to the beneficiaries. Although these houses are entirely funded by the National Department of Human Settlements, through the Western Cape Department of Human Settlements, the Municipality is regarded as principal in terms of GRAP and is therefore obliged to disclose any BNG in the process of construction as well as completed houses still under the control of the Municipality as inventory up to the point of transfer to the allocated beneficiary whereafter the cost is expensed through the Statement of Financial Performance.

## 18. VAT

VAT Receivable	12,854,737	19,836,097
Total Vat	12,854,737	19,836,097

Net VAT receivable. Only once payment is received from debtors is VAT paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to the Vat Act. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

## 19 CONSUMER DEBTORS FROM EXCHANGES TRANSACTIONS

As at 30 June 2013

	Gross Balances	Provision for Impairment	Net Balance
Service debtors	257,239,136	(103,745,195)	153,493,941
Trade: Electricity	128,389,644	(10,670,594)	117,719,051
Water	58,658,545	(40,105,494)	18,553,051
Waste Management (solid waste)	45,811,846	(34,597,004)	10,824,842
Waste Water Management (sewerage and sanitation)	24,379,101	(17,592,103)	6,359,997
Housing Rental Schemes	15,710,768	(13,656,414)	1,824,374
Housing Selling Schemes	1,665,561	(1,522,005)	143,556
<b>Total</b>	<b>274,615,485</b>	<b>(119,153,613)</b>	<b>155,461,871</b>

As at 30 June 2012

	Gross Balances	Provision for Impairment	Net Balance
Service debtors	293,784,727	(107,669,607)	95,094,920
Trade: Electricity	175,172,021	(9,248,433)	65,923,588
Water	59,500,531	(41,160,150)	15,340,381
Waste Management (solid waste)	47,160,404	(33,129,132)	9,051,272
Waste Water Management (sewerage and sanitation)	24,931,771	(19,152,052)	5,779,719
Housing Rental Schemes	22,701,347	(20,190,063)	2,511,284
Housing Selling Schemes	2,381,435	(2,143,582)	237,853
<b>Total</b>	<b>228,667,509</b>	<b>(130,023,452)</b>	<b>98,644,057</b>

The average credit period for Consumer Debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter penalties of 10% and interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The average age of these receivables is 59.0 days (2012: 46.2 days).

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of Consumer Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer Debtors as well as the current payment ratio's of the municipality's Consumer Debtors.

## Analysis of Consumer Debtors Age In Days

As at 30 June 2013	Not due		Past due			
	Current	Current Impaired	31 - 60	31 - 60 Impaired	61 - 90	61 - 90 Impaired
Electricity	R 90,664,215	R 1,153,457	R 25,942,678	R 537,893	R 1,358,954	R 348,000
Water	10,235,097	819,382	3,092,035	701,293	2,649,265	732,701
Waste Management (solid waste)	5,295,284	943,148	2,200,260	422,944	1,730,659	206,444
Waste Water Management (sewerage and sanitation)	3,476,540	495,681	1,259,785	321,679	659,977	114,610
Housing Rental Schemes	1,359,750	850,900	1,139,156	725,775	879,870	542,471
Housing Selling Schemes	62,648	23,979	44,052	15,127	39,052	13,064
<b>Total</b>	<b>111,093,734</b>	<b>4,286,547</b>	<b>33,667,965</b>	<b>2,725,001</b>	<b>7,516,836</b>	<b>1,957,290</b>

Past due		Total		Total Impaired		Total - Past due but not impaired
91 - 120+	91 - 120+ Impaired	R	R	R	R	R
Electricity	10,423,797	8,631,153	128,389,644	10,670,594	28,208,293	
Water	42,692,146	37,852,117	58,658,544	40,105,493	9,137,336	
Waste Management (solid waste)	36,585,613	33,414,469	45,811,846	34,597,004	6,472,706	
Waste Water Management (sewerage and sanitation)	18,782,798	17,049,933	24,379,101	17,592,103	3,416,138	
Waste Water Management (sewerage and sanitation)	12,332,013	11,767,268	15,710,768	13,656,414	1,315,625	
Housing Rental Schemes	1,520,560	1,459,835	1,665,561	1,522,005	104,637	
Housing Selling Schemes						
<b>Total</b>	<b>122,336,948</b>	<b>110,184,775</b>	<b>274,615,484</b>	<b>119,153,613</b>	<b>48,654,665</b>	

## Analysis of Consumer Debtors Age In Days

As at 30 June 2012	Not due		Past due			
	Current	Current Impaired	31 - 60	31 - 60 Impaired	61 - 90	61 - 90 Impaired
Electricity	R 61,260,384	R 1,201,602	R 2,637,084	R 400,031	R 1,345,666	R 210,978
Water	7,657,121	840,842	2,030,585	683,387	44,470,605	633,312
Waste Management (solid waste)	4,768,317	1,438,587	2,200,162	1,084,054	1,950,272	955,890
Waste Water Management (sewerage and sanitation)	3,167,912	669,578	1,071,582	458,982	1,000,177	424,084
Housing Rental Schemes	1,175,519	756,169	986,664	641,782	990,994	638,656
Housing Selling Schemes	72,153	37,058	44,460	19,468	41,851	17,409
<b>Total</b>	<b>78,151,386</b>	<b>4,943,856</b>	<b>9,282,193</b>	<b>3,287,754</b>	<b>7,359,544</b>	<b>2,910,319</b>

Past due		Total		Total Impaired		Total - Past due but not impaired
91 - 120+	91 - 120+ Impaired	R	R	R	R	R
Electricity	9,908,907	7,435,772	75,172,021	9,248,433	5,844,825	
Water	44,470,605	39,092,650	59,500,531	41,160,150	8,524,062	
Waste Management (solid waste)	38,231,652	34,620,610	47,160,404	38,129,132	5,691,542	
Waste Water Management (sewerage and sanitation)	19,692,101	17,599,409	24,931,771	19,152,052	3,281,386	
Waste Water Management (sewerage and sanitation)	19,548,170	18,153,437	22,701,347	20,190,063	2,091,953	
Housing Rental Schemes	2,222,951	2,069,647	2,381,435	2,143,582	202,753	
Housing Selling Schemes						
<b>Total</b>	<b>134,074,385</b>	<b>118,881,524</b>	<b>228,667,509</b>	<b>130,023,453</b>	<b>25,636,525</b>	

	2013	2012
	R	R
Reconciliation of Impairment provision		
Balance at beginning of the year	145,948,732	127,336,972
Contributions to provisions	(8,390,819)	18,609,760
Transfers to/(from) provisions	0	0
Balance at 30 June 2013	<u>137,555,913</u>	<u>145,946,732</u>

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

Included in the Allowance for Doubtful Debts are individually impaired Consumer Debtors with a balance of R 3,872,292 (2012: R 3,211,165) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these Consumer Debtors and the present value of the expected liquidation proceeds. The municipality holds no collateral over these balances.

#### 19.1 CONSUMER DEBTORS FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2013

Service debtors

Rates

Total

Gross Balances	Provision for Impairment	Net Balance
37,269,425	(18,402,299)	18,867,126
37,269,425	(18,402,299)	18,867,126
37,269,425	(18,402,299)	18,867,126

As at 30 June 2012

Service debtors

Rates

Total

Gross Balances	Provision for Impairment	Net Balance
34,400,565	(15,923,280)	18,477,285
34,400,565	(15,923,280)	18,477,285
34,400,565	(15,923,280)	18,477,285

##### Analysis of Consumer Debtors Age in Days

Not due		Past due			
Current	Current Impaired	31 - 60	31 - 60 Impaired	61 - 90	61 - 90 Impaired
R	R	R	R	R	R
11,183,999	550,155	2,166,737	301,943	1,431,435	286,598
11,183,999	550,155	2,166,737	301,943	1,431,435	286,598
Past due					
91 - 120+	90 - 120+ Impaired	Total	Total Impaired	Total - Past due but not impaired	
R	R	R	R	R	
22,437,254	17,263,604	37,269,425	18,402,299	8,233,262	
22,437,254	17,263,604	37,269,425	18,402,299	8,233,262	

##### Analysis of Consumer Debtors Age in Days

Not due		Past due			
Current	Current Impaired	31 - 60	31 - 60 Impaired	61 - 90	61 - 90 Impaired
R	R	R	R	R	R
10,381,958	123,504	2,231,257	106,329	1,284,831	77,260
10,381,958	123,504	2,231,257	106,329	1,284,831	77,260
Past due					
91 - 120+	90 - 120+ Impaired	Total	Total Impaired	Total - Past due but not impaired	
R	R	R	R	R	
20,502,518	15,616,187	34,400,564	15,923,280	8,218,830	
20,502,518	15,616,187	34,400,564	15,923,280	8,218,830	

#### 20 OTHER DEBTORS FROM EXCHANGE TRANSACTIONS

Sundries

Sporting bodies

Recoverable Loans

Less : Provision for Impairment

Total Other Debtors from exchange transactions

11,978,713	9,063,651
10,572	18,856
163,714	125,858
(6,997,267)	(5,133,624)
<u>5,185,731</u>	<u>3,069,941</u>

#### 20.1 OTHER DEBTORS FROM NON-EXCHANGE TRANSACTIONS

Grants & Subsidies

Payments in advance

Fruitless and wasteful expenditure

Total Other Debtors from non-exchange transactions

30,908,693	10,099,428
8,835,451	5,483,262
14,475	123,463
<u>39,758,619</u>	<u>15,706,153</u>

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

The claims instituted against the municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for Other Debtors is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Other Debtors.

The management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

The fair value of Other Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

##### Reconciliation of Impairment provision

Balance at beginning of the year

Transfers to/(from) provisions

Balance at 30 June 2013

6,138,624	5,228,283
828,643	910,341
<u>6,967,267</u>	<u>6,138,624</u>

The impairment provision was calculated after individually assessing other debtors and by calculating the historical payment ratios and assuming that future payment ratios would be similar to the historical payment ratios.

The provision for doubtful debts on other debtors exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment. In determining the recoverability of a Debtor, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

**21 CASH AND CASH EQUIVALENTS (BANK AND CASH)**

The Municipality has the following bank accounts: -

Primary Account	14-9312-1661	64,933,345	84,169,243
Secondary Account	14-9312-1653	0	0
Traffic Fines Bank account	620-715-265-14	11,159	18,839
		<u>64,944,544</u>	<u>84,188,082</u>

All accounts are with Nedbank except the traffic fines account which is with First National Bank. All account balances are cleared on a daily basis to the main account. The municipality have an overdraft facility of R5 million with Nedbank but did not utilise it for this financial year.

Bank statement balance at beginning of year	84,168,082	16,407,455
Bank statement balance at end of year	<u>64,933,345</u>	<u>84,188,082</u>
Cash book balance at beginning of year	<u>9,777,399</u>	<u>10,146,425</u>
Petty Cash / Float	13,700	14,700
Cash at bank		
Cashbook overdrawn	64,944,544	84,188,082
Cash book balance at end of year	<u>254,104</u>	<u>(74,410,683)</u>
	<u>65,198,648</u>	<u>9,777,399</u>
Short term Investment deposits	<u>70,633,984</u>	<u>102,165,057</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u><b>135,846,333</b></u>	<u><b>111,957,158</b></u>

For the purposes of the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments less than 12 months.

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

INSTITUTION	ACCOUNT NUMBER	ACCOUNT TYPE	2013	2012
ABSA	9205788512	CALL ACCOUNT	1,346,961	1,283,666
ABSA	9059075162	CALL ACCOUNT	22,202,859	21,579,648
ABSA	2072195273	FIXED DEPOSIT		4,500,000
ABSA	2072268452	FIXED DEPOSIT		5,000,000
			<u>23,549,850</u>	<u>32,363,312</u>
FIRST NATIONAL BANK	62189494694	CALL ACCOUNT	<u>1,145,917</u>	<u>1,101,479</u>
			<u>1,145,917</u>	<u>1,101,479</u>
INVESTEC	1400-020170-500	CALL ACCOUNT	21,864,706	5,528,741
INVESTEC	1400-020170-451	FIXED DEPOSIT	0	5,000,000
INVESTEC	1400-020170-451	FIXED DEPOSIT	0	7,000,000
			<u>21,864,706</u>	<u>17,528,741</u>
NEDBANK	03-7881526373-052	CALL ACCOUNT	12,589,678	650,541
NEDBANK	03-7881526373-132	FIXED DEPOSIT	1,000,000	1,000,000
NEDBANK	03-7881526373-156	FIXED DEPOSIT	6,000,000	6,000,000
NEDBANK	03-7881526373-155	FIXED DEPOSIT	4,000,000	9,000,000
NEDBANK	03-7881526373-154	FIXED DEPOSIT	0	6,000,000
			<u>23,589,678</u>	<u>22,650,541</u>
STANDARD BANK	78-7583000-001	CALL ACCOUNT	67,765	68,515
STANDARD BANK	78-7583000-014	CALL ACCOUNT	416,058	1,374,746
STANDARD BANK	78-7583000-028	FIXED DEPOSIT	0	5,500,000
STANDARD BANK	78-7583000-030	FIXED DEPOSIT	0	8,093,710
STANDARD BANK	78-7583000-029	FIXED DEPOSIT	0	4,048,655
			<u>483,823</u>	<u>19,081,826</u>
ESCOM	E170	STOCK	<u>153,005</u>	<u>160,822</u>
			<u>153,005</u>	<u>160,822</u>
<b>TOTAL INVESTMENTS</b>			<u><b>70,786,589</b></u>	<u><b>92,868,741</b></u>

**22 PROPERTY RATES****Actual**

Residential	123,740,436	115,276,664
Agricultural	37,050,100	43,355,658
Commercial	47,398,900	34,075,676
State	18,732,426	17,201,110
Less : Income forgone	(48,663,712)	(44,197,692)
<b>Total Property Rates</b>	<u><b>178,258,151</b></u>	<u><b>165,731,845</b></u>

**Valuations as at July 2009**

Residential	21,341,654,109	21,351,238,169
Agricultural	6,413,076,600	4,877,186,599
Commercial	4,844,381,349	6,316,792,300
State	1,272,583,257	1,271,353,257
<b>Total Property Valuations</b>	<u><b>33,871,695,315</b></u>	<u><b>33,816,569,315</b></u>

General Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A uniform rate for the same class and type of property was applied with the implementation of the property rates act. A rate on different categories was applied to property valuations to determine assessment rates. Rebates of 50% are applied to pensioners. A discount of 20% was granted to the state institutions.

Rates are levied monthly on property owners and are payable the 7th of each month for monthly rate payers of Paarl and the 15th for Wellington and other areas and 30th September for annual payers. Interest is levied at the prime rate on outstanding rates amounts.



**23 SERVICE CHARGES**

Sale of Electricity	694,426,779	593,244,423
Sale of Water	124,693,974	103,155,728
Waste Management (solid waste)	72,595,729	66,639,502
Waste Water Management (sewerage and sanitation)	51,422,426	48,179,976
Other	24,324	24
	<u>943,168,231</u>	<u>811,219,653</u>
Less: Income forgone	(52,684,300)	(56,042,976)
<b>Total Service Charges</b>	<b>890,483,931</b>	<b>755,176,677</b>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

**24. RENTAL OF FACILITIES AND EQUIPMENT**

Operating Lease Rental Revenue:		
- Investment Property	113,744	97,849
- Other Rental Revenue	18,877,349	18,676,137
<b>Total Rentals</b>	<b>18,991,092</b>	<b>18,773,985</b>

**25. INTEREST AND DIVIDENDS EARNED**

Interest - external investments	6,120,660	5,337,895
Dividends - stock	15,120	15,120
Interest - outstanding debtors	10,907,268	9,048,664
<b>Total Interest Receivable</b>	<b>17,043,048</b>	<b>14,401,679</b>

**26. GOVERNMENT GRANTS AND SUBSIDIES**

Grants from Operational	142,834,072	110,383,360
Grants from Capital	56,630,609	66,430,669
	<u>199,514,681</u>	<u>176,814,029</u>
Equitable Share		
Other	74,305,626	64,079,864
Operational grants	6,190,598	5,239,843
	<u>62,502,224</u>	<u>69,319,707</u>
Conditional grants	117,012,657	107,494,321
MIG/SMIF/RBIG Grants		
National Government : Budget Reform Programme	41,968,072	59,502,052
Provincial Government : Highway claims	1,250,000	0
Provincial Government : Housing	231,000	59,209
Provincial Government : Other projects	70,515,140	42,375,268
	<u>3,048,445</u>	<u>6,557,762</u>
<b>Total Government Grant and Subsidies</b>	<b>199,514,681</b>	<b>176,814,028</b>

**26.1 Equitable Share**

Balance unspent at beginning of year	(4,903,626)	(6,512,490)
Current year receipts	(69,397,000)	(62,476,000)
Conditions met - transferred to revenue	74,305,626	64,079,864
Conditions still to be met - transferred to liabilities (refer note 10)	0	(4,903,626)

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy equal to the basic charges for Electricity, Refuse Removal, Sewerage and Water Services, which subsidy is adjusted as tariffs increase. All residential households receive 10 kl water free every month. Indigent households receive 100 kWh and unemployed 150kWh electricity free every month.

**26.2 MIG/SMIF Grants**

Balance unspent at beginning of year	(5,063,065)	(3,193,220)
Current year receipts	(42,030,000)	(60,371,695)
Conditions met - transferred to revenue	41,968,072	59,502,052
Conditions still to be met - transferred to liabilities (refer note 10)	(5,174,993)	(6,063,063)

This grant was used to construct infrastructure assets for the Municipality. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

**26.3 National Government : Budget Reform Programme**

Balance unspent at beginning of year	0	-169,731
Current year receipts	-1,250,000	-1,250,000
Conditions met - transferred to revenue	1,250,000	0
Transferred to Equitable Share	0	1,419,731
Conditions still to be met - transferred to liabilities (refer note 10)	0	0

This grant received from National Government are for operational and capital expenditure projects related to budget reform and implementation of the MFMA. Other than the unspent amount, the conditions of the grant have been met. Funds withheld.

**26.4 Provincial Health Subsidies**

Nothing to report on

**26.5 Provincial Government : Highway claims**

Balance unspent at beginning of year	0	0
Current year receipts	(231,000)	(59,209)
Conditions met - transferred to revenue	231,000	59,209
Conditions still to be met - transferred to liabilities (refer note 10)	0	0

The Municipality received various grants from PAWC for operational projects. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

**26.6 Provincial Government : Housing**

Balance unspent at beginning of year	(8,077,003)	(8,978,771)
Current year receipts	(73,824,514)	(43,603,377)
Conditions met - transferred to revenue	70,515,140	42,375,268
Conditions still to be met - transferred to liabilities (refer note 10)	(11,386,376)	(10,206,850)

These grants received from Provincial Government are for the construction of houses. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

**26.7 Provincial Government : Other projects**

Balance unspent at beginning of year	(1,236,907)	(1,772,222)
Current year receipts	(2,657,000)	(6,379,717)
Conditions met - transferred to revenue	3,048,445	6,557,762
Transferred to Equitable Share	0	357,269
Conditions still to be met - transferred to liabilities (refer note 10)	(845,462)	(1,236,908)

These grants received from Provincial Government are for operational and capital expenditure such as , restructuring and other. Other than the unspent amount, the conditions of the grant have been met. Funds withheld.

**26.8 Other Institutions**

Balance unspent at beginning of year	(6,137,814)	(5,552,634)
Current year receipts	(9,890,754)	(5,704,747)
Conditions met - transferred to revenue	8,198,593	5,239,843
Reimbursement of guarantees and levy's	225,452	279,729
Conditions still to be met - transferred to liabilities (refer note 10)	(7,606,509)	(6,137,818)

These grants received from other institutions are for operational and capital expenditure projects. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

**27 OTHER INCOME**

ADMIN CHARGES : OTHER		
ACTUARIAL GAINS	1,298,602	1,106,305
INVENTORY SURPLUSES	1,915,605	0
CAMPING COUPONS	347,128	0
CAMPING FEES	434,458	427,507
BURIAL FEES	385,382	454,977
BUILDING INSPECTION FEES	1,294,387	1,058,830
DEPRECIATION WRITTEN BACK	3,457,330	2,187,604
ELECTRICITY : NEW CONNECTION FEES	4,313,600	0
ENTRANCE FEES	4,158,459	2,341,066
GARDEN REFUSE REMOVAL	1,082,143	897,221
LEGAL COSTS RECOVERED	28,909	25,927
SUNDRY INCOME	158,384	427,871
WATER : NEW CONNECTION FEES	3,145,142	2,907,872
OTHER	622,478	370,506
	<u>3,660,629</u>	<u>2,935,893</u>
	<u>26,343,097</u>	<u>15,139,780</u>

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 23 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**28. EMPLOYEE RELATED COSTS**

Salaries and Wages	232,976,358	229,939,169
Social contributions - UIF, pensions and medical aid etc.	51,414,705	67,055,453
Ex Gratia Allowances - Pensioners	0	0
Travel, motor car, accommodation, subsistence and other allowances	15,078,356	12,510,909
Housing benefits and allowances	2,049,404	2,122,709
Overtime payments	15,987,831	13,901,978
Contribution - Furniture Removal	28,550	0
Defined benefit Plan - Pensioners	0	0
Performance bonus	0	492,434
Workman Compensation	2,651,419	0
Defined Benefit Plan Expense: Post Employment Health Care Benefits	<u>11,325,427</u>	<u>(3,135,547)</u>
Current Service Cost	1,899,338	2,743,617
Loss on actuarial valuations	1,704,923	0
(Gains) on actuarial valuations	0	(15,803,053)
Over / (Under) provisions on contributions	0	0
Interest Cost	<u>7,722,166</u>	<u>9,928,659</u>
Defined Benefit Plan Expense: Ex Gratia Pension Benefits	<u>523,359</u>	<u>1,030,370</u>
Current Service Cost	0	0
Loss on actuarial valuations	(1,916,231)	437,968
(Gains) on actuarial valuations	1,915,605	0
Over / (Under) provisions on contributions	0	0
Interest Cost	<u>523,784</u>	<u>592,402</u>
Defined Benefit Plan Expense: Long Service Awards	<u>4,927,108</u>	<u>4,944,313</u>
Current Service Cost	1,813,264	896,000
Loss on actuarial valuations	2,207,927	3,060,313
(Gains) on actuarial valuations	0	0
Over / (Under) provisions on contributions	0	0
Interest Cost	<u>905,915</u>	<u>958,000</u>
Expenditure Recharged	337,143,545	322,917,140
Recharged to repairs and maintenance	(599,639)	(1,505,775)
Recharged to capital projects	0	0
Total Employee Related Costs	<u>(599,639)</u>	<u>(1,505,775)</u>
	<u>336,543,906</u>	<u>321,411,365</u>

No advances were made to employees.

## Remuneration of Executives

2013	Total	Annual Salary	Performance Bonus	Housing Allowance	Acting Allowance	Setting Allowance	Backpay	Leave	Car Allowance	Social Contribution	Coil Allowance
	R	R	R	R	R	R	R	R	R	R	R
Mettler J (Municipal Manager)	1,283,970	1,199,856	0	0	0	0	18,501	0	53,900	1,713	0
Carstens J (Chief Financial Officer)	1,105,989	788,289	0	32,000	0	0	0	0	96,685	188,995	0
De Beer A (Executive Director Social Services)	967,647	753,361	40,193	0	0	0	16,328	0	122,250	35,815	0
Naidoo P (Executive Director Strategic Services)	1,146,350	1,005,437	0	0	0	0	0	0	139,200	1,713	0
Coetzee LP (Executive Director Infrastructure)	877,101	707,812	40,789	0	0	0	16,571	0	99,756	12,172	0
Adam A (Executive Manager Planning and Economic Development)	520,462	431,061	100,482	0	0	0	16,328	0	55,000	17,591	0
	99,115	97,917	0	0	0	0	0	0	0	0	0
	6,100,314	4,983,733	181,464	32,000	0	0	67,728	0	576,791	258,148	1,050
											1,050

## Remuneration of Executives

2012	Total	Annual Salary	Performance Bonus	Acting Allowance	Car Allowance	Social Contribution	Backpay	Leave	Car Allowance	Social Contribution
	R	R	R	R	R	R	R	R	R	R
Kabanyane ST (Municipal Manager)	1,243,024	632,642	95,574	0	0	0	23,253	234,622	90,000	166,932
Mettler J (Municipal Manager)	300,000	284,626	0	0	0	0	0	0	15,000	374
Peterson CM (Executive Director Finance)	989,898	587,933	78,504	0	0	0	19,197	157,381	99,000	47,483
Carstens J (Executive Director Social Services)	230,000	114,228	0	16,000	0	55,000	0	0	16,400	27,372
Maithe T (Executive Director Social Services)	1,093,720	799,184	78,903	0	0	0	19,197	0	146,700	39,796
Naidoo P (Executive Director Strategic Services)	1,132,885	685,089	80,073	5,317	0	0	87,329	124,008	121,897	29,172
Coetzee LP (Executive Director Infrastructure)	1,099,609	850,486	80,075	0	0	0	19,482	0	133,008	16,758
	1,083,721	852,123	78,504	0	0	0	19,197	0	132,000	1,497
	7,163,057	4,806,311	492,433	21,317	0	56,000	187,656	516,011	754,005	329,327

## Remuneration of Councilors

Executive Mayor  
Deputy Executive Mayor  
Speaker  
Whip  
Councilors  
Executive Mayor committee members  
Total Councilors Remuneration

## In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, and Mayoral Committee members are employed full-time. Each is provided with an office, administrative and secretarial support at the cost of the Council.

The Executive Mayor and Deputy Mayor and other full-time Mayoral Committee members have access to Council owned vehicles for ceremonial and official functions.

Executive Committee Councilors are provided with work stations which are appropriately equipped.

Certification by the Municipal Manager:

I certify that the remuneration of Councilors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Statutory Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Signed: Municipal Manager

## 29 BAD DEBTS

## Bad Debts

Contribution to Impairment Provision	47,965,166	27,833,705
Contribution from Impairment provision	(56,353,960)	(3,419,356)
Contribution to housing development fund	156,052	301,974
Bad debts written-off	56,353,960	3,419,356
	<u>48,121,210</u>	<u>28,135,679</u>

## 30 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment  
 Amortisation: Intangible Assets  
 Total Depreciation and Amortisation

150,310,351	154,960,481
2,694,657	1,372,167
<u>152,905,208</u>	<u>156,332,648</u>

## 31. IMPAIRMENT LOSSES

## 31.1 Impairment Losses on Fixed Assets

## Impairment Losses Recognised:

Property, Plant and Equipment  
 Investment Property

0	0
0	0
0	0

Total Impairment Losses

0	0
---	---

## 32 INTEREST PAID

Long-term liabilities  
 Finance leases  
 Total Interest on External Borrowings

49,275,660	36,653,855
0	0
<u>49,275,660</u>	<u>36,653,855</u>

The weighted average capitalisation rate on funds borrowed generally is 11.28% per annum (2012 11.19% per annum).

## 33. BULK PURCHASES

## Electricity

## Water

## Total Bulk Purchases

447,768,729	407,662,586
18,705,613	22,039,050
<u>466,494,342</u>	<u>429,651,636</u>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from the City of Cape Town

## 34. GRANTS AND SUBSIDIES PAID

Donation: Animal protection - SPCA  
 Donation: Awards granted during the year  
 Donation: Paarl Museum  
 Donation: R.D.P. (Drakenstein)  
 Donation: Safmarine Centre  
 Donation: Wellington Museum Association

240,000	111,438
92,553	109,410
42,602	40,379
0	260,165
0	94,393
<u>51,681</u>	<u>48,944</u>
<u>427,636</u>	<u>664,727</u>

## Animal Protection - SPCA

Donations were made to the SPCA for animals that were brought to the shelter by the municipality.

## Awards granted during the year

The Mayor gives out donations to certain institutions on fundraising occasions depending on the needs of the institution.

## Paarl Museum

Donations were made to the Paarl Museum for the preservation and exhibition of historic items.

## RDP - Drakenstein

Donations were made to the RDP Drakenstein for community development and social upliftment related projects.

## Safmarine Centre

Donations were made to the Safmarine Centre to support the current systems for the upliftment of the community by skills development and other training

## Wellington Museum association

Donations were made to the Wellington Museum for the preservation and exhibition of historic items.

## 35. GENERAL EXPENSES

## ADVERTISING COSTS

## AUDIT FEES

## B1(4b) - HOUSEHOLD REFUSE REMOVAL

## BANK CHARGES

## C1(1)A - MBEKWE MULTIPURPOSE HALL

## CHEMICALS / WORKS

## CLEANING TOILET ETC.

## CONDITIONAL GRANT EXPENDITURE

## CONFERENCE SCHOOL EXPENDITURE

## CONSULTANCY FEES

## CONTRIBUTION TO LEAVE RESERVE

## GENERAL MATERIALS - SPARES

## HIGH DENSITY CLEANUP PROJECT

## HIRE - EQUIPMENT

## HIRE - VEHICLES AND EQUIPMENT

## HOUSING SCHEMES : ADMIN (LETTING SCH)

## HOUSING SCHEMES : ASSESSMENT RATES

## HOUSING SCHEMES : ELECTRICITY

## HOUSING SCHEMES : INT &amp; REDEMPTION

## HOUSING SCHEMES : REFUSE

## HOUSING SCHEMES : SEWERAGE

## HOUSING SCHEMES : WATER

## INSURANCE : PREMIUM (SHORT TERM)

## INVESTIGATIONS &amp; REPORTS WSDP &amp; BLUE DRD

## KLAPMUTS FREONCT PLAN

## LEGAL COSTS : OTHER

## LICENCES : VEHICLES

## MEMBERSHIP FEES

## PETROL AND DIESEL

## POSTAGE

## PRE-PAID VENDING SYSTEM

## PRINTING AND STATIONERY

## PROFESSIONAL FEES

## PROVISION LAND FILL SITES

## REFUSE BAGS

## SPECIAL CONNECTIONS

## SPECIAL INVESTIGATIONS

## STANDARD CONNECTIONS

## TELEPHONE COMMUNICATION

## TIDY TOWN PROGRAM

## TRAINING

## TRAINING LEVY

## TYRES

## UNIFORMS AND CLOTHING

## UPGRADE PROTECTION: COMPUTERS

## VALUATION EXPENSES

## WARD PROJECTS - 31 WARDS

## OTHER EXPENDITURE

1,212,874	1,224,664
4,616,355	4,012,301
1,320,686	916,900
2,939,438	3,158,632
800,040	594,669
1,547,232	1,142,565
1,002,235	1,156,679
67,141,527	29,773,722
500,955	1,459,509
2,269,717	1,949,238
7,330,464	3,639,729
690,361	691,596
2,222,866	1,956,444
1,258,235	1,202,350
9,151,152	8,711,261
932,764	789,058
1,417,470	1,107,154
1,550,092	696,249
1,586,668	1,524,581
3,595,951	3,281,394
2,494,507	2,193,766
5,084,157	4,138,958
2,338,993	2,072,595
519,510	200,250
668,313	-613
1,420,990	1,693,530
1,205,091	1,134,210
2,816,421	648,290
12,978,191	11,245,045
1,895,764	1,993,468
1,509,512	1,641,598
3,067,353	2,554,204
1,016,393	776,525
3,973,015	3,221,049
655,657	479,702
2,174,688	2,173,666
160,000	1,209,456
838,357	552,440
7,071,533	7,163,745
1,256,690	1,118,761
1,441,314	1,045,591
2,655,177	2,590,516
1,933,918	1,660,237
1,704,187	1,641,974
1,516,000	294,273
1,927,857	1,198,827
3,210,468	3,207,979
<u>18,639,835</u>	<u>21,581,512</u>
<u>200,347,664</u>	<u>149,374,019</u>

## 36 CASH GENERATED BY OPERATIONS

Surplus/(Deficit) for the year  
 Adjustment for :-  
 - Depreciation and amortisation  
 - Housing Development Fund  
 - Self Insurance Reserve  
 - Impairment Losses  
 - (Gain)/Losses on disposal of property, plant and equipment  
 - Gain on assets from non exchange transactions

Operating surplus before working capital changes;  
 (Increase)/Decrease in inventories  
 (Increase)/Decrease in debtors  
 Decrease/(Increase) in other debtors  
 Decrease/(Increase) in Post retirement benefits and Long services  
 (Decrease)/Increase in other provisions  
 (Decrease)/Increase in unspent conditional grants and receipts  
 Increase/(Decrease) in creditors  
 Decrease/(Increase) in VAT(net)  
 Cash generated by operations

4,924,550	(50,282,054)
148,434,074	158,939,476
152,905,208	156,692,003
1,727,253	1,147,874
(188,954)	242,233
976,050	0
(3,988,300)	947,366
(3,005,000)	0
7,817	0
153,358,624	108,657,422
3,062,390	(22,499,515)
(57,638,458)	(2,450,194)
(24,439,007)	(11,017,102)
6,094,817	4,177,301
2,820,645	5,438,628
(488,410)	(1,155,653)
35,663,165	(42,262,652)
6,931,360	3,775,527
125,615,126	42,663,761

## 37 DISCONTINUED OPERATIONS

## 37.1 Health Services discontinued

## Statement of Financial Performance at date of discontinuation

Revenue  
 Less: Expenditure

0	0
0	0
0	0
0	0

Inter-departmental charges  
 Deficit for the Year

## Statement of Financial Position at date of discontinuation

## NET ASSETS AND LIABILITIES

Net Assets  
 Accumulated deficit  
 Deficit for the year

0	0
0	0
0	0

Current Liabilities  
 Creditors  
 Advances DM

0	0
0	0
0	0

Total Net Assets and Liabilities

0	0
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## ASSETS

Non-current Assets  
 Property, Plant and Equipment  
 Less: Accumulated depreciation

1,983,022	1,983,022
4,571,151	4,571,151
(2,588,129)	(2,588,129)

Current Assets

Debtors  
 Less: Provision for impairment

0	0
0	0
0	0

Total Assets

1,983,022	1,983,022
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## Cash flow Statement at date of discontinuation

## Cash flow from operating activities

Cash receipts  
 Cash paid  
 Cash utilised in operations

0	0
0	0
0	0

## Cash flow from Financing Activities

Increase in advance DM  
 Net decrease in cash and cash equivalents

0	0
0	0

## 38 RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel and Councilors

Compensation made to Key Management Personnel and Councilors is disclosed in note 28 above.

Consumer services rendered to Key Management Personnel amount to R 20,768

Outstanding balances on Key Management Personnel's consumer accounts at 30 June 2013 ( Current Accounts) amount to R 0 (2012: R 9,402)

Consumer services rendered to Councilors amount to R 671,335

Outstanding balances on Councilors' consumer accounts at 30 June 2013 amount to R 48,258

The consumer services are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Key Management Personnel and Councilors. No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Not all persons in the service of the state is seen as related parties as defined in IAS 24, as they do not necessarily control or have an interest that gives them significant influence over the municipality. For disclosure purposes however, awards to close family members of persons in the service of this State are provided below:

## Awards to close family members of persons in the service of the State

Supplier Name	Staff Number	Employee Name	Relationship	Department	2013	2012
D UREN VIBRACRETE	59248	Z Ajam	Child	Finance	578,340	803,931
INTER MEDIA PRINTERS	52665	A Brink	Spouse	Finance	87,038	98,468
RODE VALUATORS	12558	A Marais	Brother	Corporate Services	1,128,875	0
					1,792,253	902,397

## 39 RESTATEMENT OF PRIOR YEAR FIGURES AND ERRORS

The following restatements and errors occurred which are set out below:

## 39.1.1 Adjustment to Provision for rehabilitation of landfill

The correction of error of the provision for rehabilitation is due to the estimate for the Bay Louw landfill, previously being based on a smaller area. During the current year it was established that part of the landfill, which was previously rehabilitated and turned into a community facility, was not included in the rehabilitation estimate. As parts of the landfill site lies beneath the 1:60 floodline, specific infrastructure will have to be constructed in terms of current legislation on rehabilitation of the site. Furthermore the Provision for the rehabilitation asset was incorrectly calculated in prior years in terms of Directive 7.

Property, Plant and Equipment - Cost

Property, Plant and Equipment - Accumulated Depreciation

Provision for rehabilitation of landfill

Accumulated Surplus

Restated 2012 R	Restatement change R	Previously 2012 R
49,461,845	39,841,584	8,620,261
(41,007,607)	(32,328,005)	(8,679,801)
(64,079,341)	(6,335,687)	(57,743,654)
	(3,414,911)	
<u>(55,625,303)</u>	<u>(2,237,019)</u>	<u>(58,803,194)</u>

## Statement of Financial Performance

The unwinding of discount for the rehabilitation of landfill site provision has been reclassified as a finance charge in terms of IGRAP 2.8

Finance Charges

Other Expenses

Depreciation

Restated 2012 R	Restatement Change R	Previously Reported 2012 R
3,630,514	3,630,514	
	(3,271,890)	3,268,509
	1,878,395	
<u>3,630,514</u>	<u>2,237,019</u>	<u>3,268,509</u>

## 39.1.2 Correction of Investment property incorrectly classified

Previously certain investment property was incorrectly classified as Property, plant and equipment

The effect of the change in accounting policy is as follows:

## Statement of Financial Position

Property, Plant and equipment

Accumulated Surplus

Restated 2012 R	Restatement Change R	Previously Reported 2012 R
4,607,766,413	24,885,377 (cr) 24,885,377 (dr)	4,072,074,537
86,063,700	46,443,700 (dr) 46,443,700 (cr)	40,450,000
1,102,609,622	25,011,776 (dr)	1,144,982,184
2,421,329,446	25,011,776 (cr)	2,362,127,194

Investment property

Accumulated Surplus

Revaluation surplus

Accumulated Surplus

## 39.1.3 Correction of untransferred housing previously not treated as inventory

Unfinished housing units from the Drommedaris project were previously not shown as inventory. Refer to the note on inventory for further details. The effect of the change in accounting policy is as follows:

## Statement of Financial Position

Inventory

## Statement of Financial Performance

Conditional grants - Housing

\*\* - Note that the restated amount includes other adjustments disclosed with in note 39

Restated 2012 R	Restatement Change R	Previously Reported 2012 R
53,541,441	15,560,834 (dr)	47,677,102
25,423,416	15,560,834 (cr)	28,217,577

## 39.1.4 Correction on Basic Water Charges that was previously under Other Income reclassified as Service charges

It was found that Basic Water Charges was previously disclosed under other income, but it has been reclassified as Service charges. The effect of the change in correction of error is as follows:

## Statement of Financial Performance

Service Charges

Other Income

Restated 2012 R	Restatement Change R	Previously Reported 2012 R
755,176,678	2,127,798 (Cr)	753,048,878
15,139,760	2,127,798 (Dr)	17,262,233

## 39.1.5 Correction of Inventory previously not recognised

It was found that inventory was not included in the amount presented in the prior year

The effect of the change in correction of error is as follows:

## Statement of Financial Position

Accumulated Surplus

Inventory

Restated 2012 R	Restatement Change R	Previously Reported 2012 R
2,421,329,446	268,552 (Cr)	2,362,127,194
53,541,441	268,552 (Dr)	47,677,102

## 39.1.6 Correction of Capital spares not recognised as Property, plant and equipment

It was found that inventory of capital spares were not included under PPE

The effect of the change in correction of error is as follows:

## Statement of Financial Position

Property, plant and equipment

Inventory

\*\* - Note that the restated amount includes other adjustments disclosed with in note 39

Restated 2012 R	Restatement Change R	Previously Reported 2012 R
4,007,766,413	9,985,048 (Dr)	4,072,074,537
53,541,441	9,985,048 (Cr)	47,677,102

## 39.1.7 Correction of assets found not to be controlled by the Municipality

The effect of the change in correction of error is as follows:

## Statement of Financial Performance

Property, plant and equipment

Accumulated surplus

\*\* - Note that the restated amount includes other adjustments disclosed with in note 39

Restated 2012 R	Restatement Change R	Previously Reported 2012 R
4,007,766,413	25,020,231 (cr)	4,072,074,537
2,421,329,446	25,020,231 (dr)	2,362,127,194

### 39.2 Change in accounting policies

The municipality adopted the following Accounting Standards for the first time during the financial year 2012/2013 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

#### 39.2.1 GRAP 104: FINANCIAL INSTRUMENTS

The municipality developed an Accounting Policy with the adoption of GRAP 104: Financial Instruments. Previously the municipality used the principles set out in IAS 39 to account for financial instruments. Management has evaluated the requirements of the Standard and it was found that the only adjustment to be made is to the classification of the Financial Assets and Liabilities (as illustrated below) - no restatement of the amounts presented previously was required, except for the listed investments found to be previously incorrectly carried at cost

##### Reclassification of Financial Instruments

<u>Financial Assets</u>	<u>Previous classification per IAS 39</u>	<u>Classification per GRAP</u>	<u>Previously Stated</u>	<u>2012 Restated</u>
<b>Investments</b>				
Investment in Unlisted shares	Held to maturity	Fair Value	112,000	160,822
<b>Long-term Receivables</b>				
Loans to employees	Loans and receivables	Amortised cost	0	0
Sporting bodies	Loans and receivables	Amortised cost	31,553	31,553
Public organisations	Loans and receivables	Amortised cost	168,933	168,933
Housing selling scheme loans	Loans and receivables	Amortised cost	1,365,834	1,365,834
<b>Consumer Debtors from exchange transactions</b>				
Service debtors	Loans and receivables	Amortised cost	96,094,920	96,094,920
Housing Rental Schemes	Loans and receivables	Amortised cost	2,511,284	2,511,284
Housing Selling Schemes	Loans and receivables	Amortised cost	237,553	237,553
<b>Consumer Debtors from non-exchange transactions</b>				
Service debtors - Rates	Loans and receivables	Amortised cost	0	0
<b>Other Debtors from exchange transactions</b>	Loans and receivables	Amortised cost	3,069,941	3,069,941
<b>Other Debtors from non-exchange transactions</b>	Loans and receivables	Amortised cost	0	0
<b>Current Portion of Long-term Receivables</b>				
Loans to employees	Loans and receivables	Amortised cost	0	0
Sporting bodies	Loans and receivables	Amortised cost	30,071	30,071
Public organisations	Loans and receivables	Amortised cost	9,434	9,434
Housing selling scheme loans	Loans and receivables	Amortised cost	263,979	263,979
<b>VAT Receivable</b>				
VAT Control Accounts	Loans and receivables	Amortised cost	19,836,097	19,836,097
<b>Cash and cash equivalents</b>				
Bank and cash on hand	Available for sale	Amortised cost	9,777,399	9,777,399
Other Cash Equivalents	Available for sale	Amortised cost	102,165,057	102,165,057

##### FINANCIAL LIABILITIES:

<u>Financial Liabilities</u>	<u>Previous classification per IAS 39</u>	<u>Classification per GRAP</u>	<u>Previously Stated</u>	<u>2012 Restated</u>
		<b>104</b>		
<b>Long-term Liabilities</b>				
Annuity Loans	Not valued at FVTPL	Amortised cost	500,494,166	500,494,166
<b>Consumer Deposits</b>				
Electricity and Water	Not valued at FVTPL	Amortised cost	22,138,506	22,138,506
<b>Payables from exchange transactions</b>				
Trade creditors	Not valued at FVTPL	Amortised cost	68,914,487	68,914,487
Staff Leave	Not valued at FVTPL	Amortised cost	17,695,745	17,695,745
Payments received in advance	Not valued at FVTPL	Amortised cost	14,877,309	14,877,309
Other creditors	Not valued at FVTPL	Amortised cost	56,125,600	56,125,600
<b>Unspent Conditional Grants and Receipts</b>				
Conditional Grants from other spheres of Government	Not valued at FVTPL	Amortised cost	25,270,205	25,270,205
Other Conditional Receipts	Not valued at FVTPL	Amortised cost	2,128,756	2,128,756
<b>Bank Overdraft</b>				
Bank Overdraft	Not valued at FVTPL	Amortised cost	0	0
<b>Current Portion of Long-term Liabilities</b>				
Annuity Loans	Not valued at FVTPL	Amortised cost	57,242,133	57,242,133

##### SUMMARY OF FINANCIAL LIABILITIES

### 39.2.2 GRAP 21: IMPAIRMENT OF NON-CASH-GENERATING ASSETS

The municipality has developed Accounting Policies with the adoption of GRAP 21: Impairment of Non-cash-generating Assets. Previously the municipality used the principles set out in IPSAS 21 to account for impairment of Non - cash - generating assets. GRAP 21 is applied prospectively in terms of Directive 4 and there is no need for restatement of prior year figures as the principles in GRAP 21 and IPSAS 21 are similar.

### 39.2.3 GRAP 26: IMPAIRMENT OF CASH-GENERATING ASSETS

The municipality has developed Accounting Policies with the adoption of GRAP 26: Impairment of Cash-generating Assets. Previously the municipality used the principles set out in IAS 36 to account for impairment of Cash - generating assets. GRAP 26 is applied prospectively in terms of Directive 4 and there is no need for restatement of prior year figures as the principles in GRAP 26 and IAS 36 are similar.

### 39.2.4 GRAP 24: PRESENTATION OF BUDGET INFORMATION IN THE FINANCIAL STATEMENTS

The municipality has developed Accounting Policies with the adoption of GRAP 24: Presentation of Budget Information in the Financial Statements. Previously the municipality used the principles set out in GRAP 1 to present budget information. GRAP 24 is to be applied prospectively in terms of Directive 4, with the adoption of the requirements set out in this Standard, the municipality have included the following budget information (based on the guidance contained in MFMA Circular 67 as well as additional disclosure required per GRAP 24):

- Statement of comparison between budget and actual amounts: Reconciliation of Table A1 Budget summary
- Appendix C1: Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)
- Appendix C2: Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)
- Appendix C3: Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)
- Appendix C4: Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding
- Appendix C5: Reconciliation of Table A7 Budgeted Cash Flows

### 39.2.5 GRAP 103: HERITAGE ASSETS

The municipality has developed Accounting Policies with the adoption of GRAP 103: Heritage Assets. In the previous financial years presented, certain Heritage Assets were presented as Property, Plant and Equipment.

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of heritage assets.

The effect of the restatement is as follows:

The effect of the change in accounting policy is as follows:

#### 39.1.5 Reclassification from PPE to Heritage assets

	2012 Restated	Restatement	2012 Previously Stated
<u>Statement of Financial Performance</u>			
Property, Plant and equipment	4,007,766,413	33,903,936 (Cr)	4,072,074,537
Heritage Assets	33,903,936	33,903,936 (Dr)	0

#### 39.2.6 GRAP 23: Revenue from non exchange transactions.

The municipality has developed Accounting Policies with the adoption of GRAP 23: Revenue from non-exchange transactions. Previously the municipality used the specific paragraphs related to revenue from non-exchange transactions as set out in GAMAP 9 Revenue. GRAP 23 is to be applied retrospectively in terms of Directive 4 and the impact of the thereof is as follows:

The effect of the change in accounting policy is as follows:

	2012 Previously Stated dt/(cr)	Restatement dt/(cr)	2012 Restated dt/(cr)
<u>Statement of Financial Position</u>			
Unspent conditional grants	25,423,416	1,975,545 (dr)	27,398,961
Accumulated Surplus	2,421,329,446	1,638,509 (cr)	2,362,127,194
<u>Statement of Financial Performance</u>			
Government and subsidies - Revenue	176,814,023	337,036 (cr)	178,606,841



**39.2.7 GRAP 25: Employee benefits**

The Municipality has opted to change its accounting policy on Post employment benefits and align it to the principles contained in GRAP 25, Employee Benefits. The

The effect of this change in accounting policy is that the Municipality now recognises all Actuarial losses directly in the Statement of Financial Performance, whereas the

The effect of the change in accounting policy is as follows:

**Post Employment Medical Benefits****Statement of Financial Position**

Post Employment Medical Benefits Liability  
Accumulated Surplus

**Statement of Financial Performance**

Employee Cost - Actuarial losses / (gains) recognised

2012	2012	
Previously Stated du/(cr)	Restatement dt / (cr)	Restated du/(cr)
(107,288,303)	737,428	(106,550,875)
	15,240,625	
	15,978,053	
	<u>-15,978,053</u>	
170,000		(15,808,053)
	<u>(15,978,053)</u>	

**Post Employment Ex Gratia Benefit****Statement of Financial Position**

Post Employment Medical Benefits Liability  
Accumulated Surplus

**Statement of Financial Performance**

Actuarial losses / (gains) recognised

2012	2012	
Previously Stated du/(cr)	Restatement dt / (cr)	Restated du/(cr)
(6,778,855)	(689,968)	(7,468,823)
	252,000	
	<u>-437,968</u>	
0		437,968
	<u>437,968</u>	

**40 FINANCING FACILITIES**

Unsecured Bank overdraft .

- Amount used  
- Amount unused

0	0
5,000,000	5,000,000
<u>5,000,000</u>	<u>5,000,000</u>

**41 OPERATING LEASE COMMITMENTS**

The Municipality as Lessee

Future minimum lease payments under non-cancellable operating leases:

**Buildings**

Payable within one year  
Payable within two to five years

0	0
0	0
0	0

**Equipment**

Payable within one year  
Payable within two to five years

584,250	1,178,113
428,616	885,062
155,634	293,051
<u>584,250</u>	<u>1,178,113</u>

In terms of the additional guidance from Grap 13 (Leases), escalations in operating leases are no longer recognised in the periods they actually incurred, but are now charged in the statement of financial performance on a straight-line basis over the term of the lease. Leased premises are contracted for a period of 3 years.

The Municipality has significant current lease arrangements for photocopy and fax machines over a period of 3 - 5 years without being subject to escalation.

The Municipality as Lessor

At Statement of Financial Performance date the Municipality has contracted with tenants for the following future minimum lease payments.

Payable within one year  
Payable within two to five years

375,660	625,594
1,879,800	915,933
<u>2,255,460</u>	<u>1,541,527</u>

The Municipality lets its investment properties under operating leases. Property rental income earned during the year was R 113,744. The properties are maintained by the tenants at their cost. No investment properties have been disposed of since the statement of financial performance date. Properties are leased for periods ranging from 3 to 25 years. Escalations on lease instalments are applied on recommendation of an independent valuator and does not exceed 10% pa.

No restrictions have been imposed on the municipality in terms of the operating lease agreements.

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

**42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFULL EXPENDITURE DISALLOWED****42.1 UNAUTHORISED EXPENDITURE****UNAUTHORISED EXPENDITURE PER GOVERNMENT FINANCIAL STATISTICS (GFS)**

	BUDGET	ACTUAL EXPENDITURE	UNAUTHORISED
HOUSING (Section 1(b) of the definition of unauthorised expenditure)	104,394,516	110,473,361	-6,078,845
EXECUTIVE AND COUNCIL (Section 1(b) of the definition of unauthorised expenditure)	56,742,158	57,051,710	-309,552
BUDGET AND TREASURY OFFICE (Section 1(b) of the definition of unauthorised expenditure)	55,325,225	61,143,818	-5,818,593
PUBLIC SAFETY (Section 1(b) of the definition of unauthorised expenditure)	41,940,061	42,404,702	-464,641
WASTE MANAGEMENT (Section 1(b) of the definition of unauthorised expenditure)	47,727,594	52,406,453	-4,678,859
WASTE WATER MANAGEMENT (Section 1(b) of the definition of unauthorised expenditure)	58,258,457	69,466,167	-1,207,710
ELECTRICITY	581,083,927	592,704,138	-1,620,211
TOTAL OPERATING EXPENDITURE (Section 1(a) of the definition of unauthorised expenditure)	1,345,429,814	1,346,769,167	-1,339,353
Certified and written-off by Council on 28 August 2013			
Refer to appendix E1 for more detail			

**UNAUTHORISED EXPENDITURE PER VOTE (DIRECTORATE)**

	BUDGET	ACTUAL EXPENDITURE	UNAUTHORISED
COMMUNITY SERVICES (Section 1(b) of the definition of unauthorised expenditure)	278,615,628	286,561,364	(7,945,736)
FINANCIAL SERVICES (Section 1(b) of the definition of unauthorised expenditure)	60,097,977	65,903,121	(5,805,144)
TOTAL OPERATING EXPENDITURE (Section 1(a) of the definition of unauthorised expenditure)	1,345,429,814	1,346,769,167	(1,339,353)

Certified and written-off by Council on 28 August 2013

Refer to appendix E2 for more detail

## 42.2 FRUITLES AND WASTEFUL EXPENDITURE

Opening Balance	428,164	431,385
Fruitless expenditure current year	52,018	0
Payments received during the year	0	(3,202)
Approved by council	(411,689)	(2,019)
Closing Balance	66,493	426,164

Incident	Date	Disciplinary steps/criminal proceedings		
Theft of money from cash bag	13/01/2007 -	Disciplinary hearing 07/05/2007. Person dismissed	0	1,657
Theft of safety boots from stores	21/03/2005	Disciplinary hearing. Person dismissed. Attorneys to recover money.	0	107,331
Theft of cash at Gouda cash office	18/02/2008	Disciplinary action. Person not guilty.	0	4,634
Purchasing of laptops by ex CFO	2004	Condonement from council awaited	0	160,419
Purchasing of curtains for deputy mayor office	2007	Condonement from council awaited	0	20,675
Theft of Cable	05 February 2010	Not guilty. Witness not willing to testify.	0	2,500
Interest paid to JJ specks for a electricity meter that was swapped	21 October 2004 till 20	To be put before council for condonement.	0	5,000
Travelling costs paid to boland Travel for an India trip that did not take place.	17-Nov-10	To be put before council for condonement	0	59,773
Loudhauling equipment that was hired and never returned.	11-Nov-10	To be put before council for condonement	0	29,500
Payment to service provider, payment into wrong bank.	19/08/2008	Council attorneys busy to recover money.	14,475	14,475
Interest on late payments on contract (Corn Dev PEMPC)	13/11/2012 - 20/06/2013	To be put before council for condonement.	52,018	0
			66,493	426,164
			(52,018)	(411,689)

Certified and written-off by Council as Irrecoverable as per Council resolution dated 28/08/2013

Certified and written-off by Council as Irrecoverable as per Council resolution dated 31/10/2012

## 42.3 IRREGULAR EXPENDITURE

Opening Balance	4,067,385	1,810,822
Irregular expenditure current year	3,576,491	2,256,553
Payments received during the year	0	0
Approved by council	(1,810,822)	0
Closing Balance	5,833,054	4,067,385

Incident	Date	Disciplinary steps/criminal proceedings		
Infrastructure & Planning Directorate had a strategic planning session at the farm. Procurement of goods and services (between R2,000.00 and R10,000.00) - Not 3 quotes	30/06/2010	To be put before council for condonement.	0	4,772
SCM requested more than 3 quotes from prospective service providers on each instance. At the closing date of request less than 3 quotations was received Procurement of goods and services (between R10,000.00 and R200,000.00) - Not 3 formal written quotes	30/06/2010	To be put before council for condonement.	0	86,285
No advertisement on website to invite price quotations (above R30,000.00). Community development projects	30/06/2010	To be put before council for condonement.	0	311,870
Procurement of awards to state employees. The director of company was a teacher and did not declare on tender.	30/06/2010	To be put before council for condonement.	0	108,159
Procurement in contravention of the PPPFA	30/06/2010	To be put before council for condonement.	0	144,669
Advertising costs paid without the SCM processes.	Jan. 2011	Accounting officer.	0	24,624
Officials in service of the state		To be put before council for condonement.	0	124,070
Officials in service of the state		To be put before council for condonement.	0	3,991
Officials in service of the state		To be put before council for condonement.	0	10,000
Officials in service of the state		To be put before council for condonement.	0	5,605
Officials in service of the state		To be put before council for condonement.	0	2,000
Three quotations was not obtained		To be put before council for condonement.	0	25,784
Three quotations was not obtained		To be put before council for condonement.	0	26,620
No Tender process		To be put before council for condonement.	0	931,973
Owner with 30% share in service of the state (Dick & A'sop SA CC)		To be put before council for condonement.	37,722	37,722
Owner with a share of 50% in service of the state (Regular Trading 63 CC)		To be put before council for condonement.	25,800	15,800
Owner with a share of 15% in service of the state (Hi-Q Wellington T/A Nla's Place CC)			278,038	269,715
Owner with a share of 25% in service of the state (Khubeke Construction)	27/03/2013 - 24/04/2013	To be put before council for condonement.	5,450,720	1,933,326
Paid more than the proclaimed cost to company package		To be put before council for condonement.	6,994	0
Paid more than the proclaimed cost to company package		To be put before council for condonement.	28,776	0
Paid more than the proclaimed cost to company package		To be put before council for condonement.	5,003	0
			5,833,054	4,067,385
			(5,782,260)	(1,810,822)

Certified and written-off by Council as Irrecoverable as per Council resolution dated 28/08/2013

Certified and written-off by Council as Irrecoverable as per Council resolution dated 31/10/2012

## 42.4 DISTRIBUTION LOSSES

## WATER

## Reconciliation of water losses

Kiloliters bought

Kiloliters sold

Kiloliters Lost

Value of losses

Percentage of losses

Norm of losses

Reasons for losses:

Burst pipes

Use of unmetered fire water connections at flat buildings and factories.

Open spaces &amp; sports fields that is still unmetered

Undetected leaks underground

Scouring of mainlines and reservoirs as part of the operational procedure to ensure good water quality

17,584,721	17,448,391
15,455,368	15,497,831
2,129,353	1,950,560
3,705,039	1,950,860
12.11%	11.35%
15.00%	15.00%

## ELECTRICITY

## Reconciliation of MWh losses

MWh units bought

MWh units sold

MWh units lost

Value of losses

Percentage of losses

Norm of losses

Reasons for losses:

Technical losses

Unmetered services

Theft

734,790,005	740,813,368
687,784,396	679,774,239
47,005,609	61,039,129
21,008,390	47,214,072
8.40%	8.24%
10.00%	10.00%

## 43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

## 43.1 Contributions to SALGA

Opening balance

Council subscriptions

Amount paid - current year

Amount paid - previous years

Balance unpaid (included in creditors)

0	0
2,816,421	2,228,922
(2,816,421)	(2,228,922)
0	0
0	0

## 43.2 Audit fees

Opening balance

Current year audit fee

Amount paid - current year

Amount paid - previous years

Balance unpaid (included in creditors)

0	0
4,616,365	4,012,301
(4,616,365)	(4,012,301)
0	0
0	0

## 43.3 VAT

VAT output payables and VAT input receivables are shown in note 18. All VAT returns have been submitted by the due date throughout the year.

## 43.4 PAYE

Opening balance

Current year payroll deductions

Amount paid - current year

Amount paid - previous years

Balance unpaid (included in creditors)

0	0
32,326,982	28,676,799
(32,326,982)	(28,676,799)
0	0
0	0

## 43.5 UIF

Opening balance

Current year payroll deductions

Amount paid - current year

Amount paid - previous years

Balance unpaid (included in creditors)

0	0
4,302,667	3,667,170
(4,302,667)	(3,667,170)
0	0
0	0

## 43.6 Pension Deductions

Opening balance

Current year payroll deductions and council contributions

Amount paid - current year

Amount paid - previous years

Balance unpaid (included in creditors)

0	0
55,477,060	41,962,754
(55,477,060)	(41,962,754)
0	0
0	0

## 43.7 Medical Aid Deductions

Opening balance

Current year payroll deductions and council contributions

Amount paid - current year

Amount paid - previous years

Balance unpaid (included in creditors)

0	0
20,851,103	17,695,878
(20,851,103)	(17,695,878)
0	0
0	0

## 43.8 Councilors arrear consumer accounts

The following Councilors had arrear accounts outstanding for more than 90 days as at 31 July 2012

K/NL SHELTON  
CS ROSS  
DA KOTZE/BJ

Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
6,670	6,510	160
1,808	1,174	634
503	503	0
119	119	0
<u>9,099</u>	<u>8,305</u>	<u>794</u>

The following Councilors had arrear accounts outstanding for more than 90 days as at 31 August 2012

A PIETERSEN  
K/NL SHELTON  
N/JFA QEBENYA/AREDS  
C MANGENA  
LM MAGALA  
GJ/R WITBOOI

Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
3,302	3,302	0
2,930	2,930	0
2,340	1,123	1,217
97	97	0
42	42	0
24	24	0
<u>8,735</u>	<u>7,518</u>	<u>1,217</u>

The following Councilors had arrear accounts outstanding for more than 90 days as at 30 September 2012

C MANGENA  
GJ/R WITBOOI  
DA KOTZE/BJ  
N/JFA QEBENYA/AREDS  
K/NL SHELTON

Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
191	191	0
188	188	0
356	356	0
1,051	1,051	1,808
8,005	6,197	0
<u>9,891</u>	<u>7,993</u>	<u>1,808</u>

The following Councilors had arrear accounts outstanding for more than 90 days as at 31 October 2012

C MANGENA  
GJ/R WITBOOI  
A PIETERSEN  
K/NL SHELTON

Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
343	246	97
310	266	24
1,329	1,329	0
2,633	2,633	0
<u>4,615</u>	<u>4,494</u>	<u>121</u>

The following Councilors had arrear accounts outstanding for more than 90 days as at 30 November 2012

N/JFA QEBENYA/AREDS  
L.M. MAGALA  
GJ/R WITBOOI  
C MANGENA  
SP VON SCHLICHT  
A PIETERSEN  
K/NL SHELTON

Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
66	66	0
242	242	0
456	257	193
539	348	191
1,015	1,015	0
3,395	3,395	0
6,074	6,074	0
<u>11,785</u>	<u>11,396</u>	<u>389</u>

The following Councilors had arrear accounts outstanding for more than 90 days as at 31 December 2012

E GOUWS  
GJ/R WITBOOI  
C MANGENA  
L.M. MAGALA  
N/JFA QEBENYA/AREDS  
K/NL SHELTON

Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
130	130	0
554	244	310
480	337	143
550	550	0
658	658	0
2,789	2,769	0
<u>5,160</u>	<u>4,707</u>	<u>453</u>

The following Councilors had arrear accounts outstanding for more than 90 days as at 31 January 2013

MA TSHAYA  
N/JFA QEBENYA/AREDS  
V MUBU  
GJ/R WITBOOI  
F CUPIDO  
DS BLANCKENBERG  
L.M. MAGALA  
E GOUWS  
SP VON SCHLICHT  
K/NL SHELTON

Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
100	100	0
131	131	0
187	187	0
664	208	456
306	306	0
403	403	0
531	512	19
938	938	0
1,032	1,032	0
5,819	5,819	0
<u>10,110</u>	<u>9,636</u>	<u>474</u>

The following Councilors had arrear accounts outstanding for more than 90 days as at 28 February 2013

K/NL SHELTON  
GJR WITBOOI  
L.M. MAGALA

Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
2,789	0	2,789
554	0	554
250	0	250
<u>3,593</u>	<u>0</u>	<u>3,593</u>

The following Councilors had arrear accounts outstanding for more than 90 days as at 31 March 2013

DS BLANKENBERG  
L.M. MAGALA  
E GOUWS  
GJR WITBOOI  
M.A. SOMNGQEZA  
MM SOMNGQEZA  
LM MAGALA

Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
768	393	393
684	445	438
700	350	350
724	362	362
438	219	219
457	219	249
104	53	51
<u>4,104</u>	<u>2,041</u>	<u>2,063</u>

The following Councilors had arrear accounts outstanding for more than 90 days as at 30 April 2013

T ADRIAANSE  
DA KOTZEBU  
K/NL SHELTON

Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
35	35	0
2,363	2,363	0
<u>2,998</u>	<u>2,998</u>	<u>0</u>
<u>5,396</u>	<u>5,396</u>	<u>0</u>

The following Councilors had arrear accounts outstanding for more than 90 days as at 31 May 2013

E GOUWS  
C MANGENA  
T ADRIAANSE  
JG RADEMEYER  
AC STOWMAN  
K/NL SHELTON

Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
1	1	0
39	39	0
83	89	0
440	440	0
1,509	1,509	0
<u>2,609</u>	<u>2,609</u>	<u>0</u>
<u>4,688</u>	<u>4,688</u>	<u>0</u>

The following Councilors had arrear accounts outstanding for more than 90 days as at 30 June 2013

E GOUWS  
T ADRIAANSE  
GJR WITBOOI  
C MANGENA  
CJ/RI POOLE  
AC STOWMAN  
K/NL SHELTON

Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
1	1	0
143	143	0
187	187	0
339	339	0
473	473	0
2,542	2,542	0
<u>2,955</u>	<u>2,955</u>	<u>0</u>
<u>6,639</u>	<u>6,639</u>	<u>0</u>

30th June 2012

MANGENA, TEMBEKILE CHRISTOPHER  
Total Councilor Arrear Consumer Accounts

Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
2,170	172	1,998
<u>2,170</u>	<u>172</u>	<u>1,998</u>

#### 43.9 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

Non-Compliance to the following sections of chapters of the MFMA:

CHAPTER	SECTION	SUB-SECTION
8	64	(3)
8	71	(1) to (5)
8	74	(1) to (2)

#### 44 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

The majority of the items mentioned resulted from flood damage that had to be addressed at short notice and the response times did not allow for the complete procurement process to be followed. The balance of items was due to emergency circumstances and economic benefits for the municipality.

Formal written and written quotations : deviations approved	1,818,502	8,735,307
Hosting of radio programme : deviation approved	0	80,000
Additional payment for upgrading of switchgear : deviation approved	0	31,883
Service provider appointment ( Contract PH5/2006 deviation approved	0	213,544
Service provider appointment ( Contract PH5/2006 deviation approved	0	5,291
Sub - Totals	1,818,502	9,076,025
Paragraph 36 of Supply Chain Management Policy deviations	19,051,447	19,000,308
Sole provider appointed (Microsoft Corporation) deviation approved by BAC	222,859	4,845,355
Total Deviations	21,092,319	33,821,668

#### 45 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for

Infrastructure

Community

Land & Buildings

Other

Housing

Intangibles

Investment Properties

Total

130,955,365	129,228,028
124,952,335	126,321,820
849,956	0
0	2,908,208
3,203,458	0
0	0
1,949,616	0
0	0
130,955,365	129,228,028

#### 46 FINANCIAL INSTRUMENTS

##### 46.1 Classification of Financial Instruments

##### FINANCIAL ASSETS:

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows :

Financial Assets	Classification		
<b>Investments</b>			
Investment in Unlisted shares	Fair Value	153,005	160,822
<b>Long-term Receivables</b>			
Loans to employees	Amortised cost	0	0
Sporting bodies	Amortised cost	8,123	31,553
Public organisations	Amortised cost	77,834	188,933
Housing selling scheme loans	Amortised cost	1,644,905	1,365,834
<b>Consumer Debtors from exchange transactions</b>			
Service debtors	Amortised cost	153,493,941	96,094,920
Housing Rental Schemes	Amortised cost	1,824,374	2,511,284
Housing Selling Schemes	Amortised cost	143,556	237,653
<b>Consumer Debtors from non-exchange transactions</b>			
Service debtors - Rates	Amortised cost	18,667,126	18,477,285
<b>Other Debtors from exchange transactions</b>	Amortised cost	5,185,731	3,069,941
<b>Other Debtors from non-exchange transactions</b>	Amortised cost	39,768,619	15,706,153
<b>Current Portion of Long-term Receivables</b>			
Loans to employees	Amortised cost	0	0
Sporting bodies	Amortised cost	15,773	30,071
Public organisations	Amortised cost	0	9,434
Housing selling scheme loans	Amortised cost	276,143	263,979
<b>VAT Receivable</b>			
VAT Control Accounts	Amortised cost	12,854,737	19,836,097
<b>Cash and cash equivalents</b>			
Bank and cash on hand	Amortised cost	65,212,348	9,777,399
Other Cash Equivalents	Amortised cost	70,633,934	102,165,057
<b>SUMMARY OF FINANCIAL ASSETS</b>			
<b>Amortised cost</b>			
Investments	Listed Investments	153,005	160,822
		153,005	160,822
<b>Long-term Receivables</b>			
Long-term Receivables	Loans to employees	0	0
Long-term Receivables	Sporting bodies	8,123	31,553
Long-term Receivables	Public organisations	77,834	188,933
Long-term Receivables	Housing selling scheme loans	1,644,905	1,365,834
<b>Receivables from exchange transactions</b>			
Consumer Debtors	Service debtors	153,493,941	96,094,920
Consumer Debtors	Housing Rental Schemes	1,824,374	2,511,284
Consumer Debtors	Housing Selling Schemes	143,556	237,653
Other Debtors	Other Debtors	5,185,731	3,069,941
<b>Receivables from non-exchange transactions</b>			
Consumer Debtors	Service debtors - Rates	18,667,126	18,477,285
Other Debtors	Other Debtors	39,768,619	15,706,153
<b>Current Portion of Long-term Receivables</b>			
Current Portion of Long-term Receivables	Loans to employees	0	0
Current Portion of Long-term Receivables	Sporting bodies	15,773	30,071
Current Portion of Long-term Receivables	Public organisations	0	9,434
Current Portion of Long-term Receivables	Housing selling scheme loans	276,143	263,979
<b>VAT Receivable</b>			
VAT Control Accounts	VAT Control Accounts	12,854,737	19,836,097
		234,148,863	157,823,337
<b>At fair value</b>			
Bank Balances and Cash	Bank Balances	65,212,348	9,777,399
Bank Balances and Cash	Short term investment deposits	70,633,934	102,165,057
		135,846,333	111,942,456
<b>Total Financial Assets</b>		370,148,200	269,925,615

No Loans and Receivables are designated as at Fair Value

**FINANCIAL LIABILITIES:**

In accordance with GRAP 104 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
<b>Long-term Liabilities</b>			
Annuity Loans	Amortised cost	630,237,053	500,494,166
<b>Consumer Deposits</b>			
Electricity and Water	Amortised cost	25,925,779	22,138,506
<b>Payables from exchange transactions</b>			
Trade creditors	Amortised cost	74,521,956	68,914,487
Staff Leave	Amortised cost	23,841,116	17,695,745
Payments received in advance	Amortised cost	21,577,425	14,877,309
Other creditors	Amortised cost	73,535,810	56,125,600
<b>Unspent Conditional Grants and Receipts</b>			
Conditional Grants from other spheres of Government	Amortised cost	21,294,163	25,270,205
Other Conditional Receipts	Amortised cost	3,640,845	2,128,756
<b>Bank Overdraft</b>			
Bank Overdraft	Amortised cost	0	0
<b>Current Portion of Long-term Liabilities</b>			
Annuity Loans	Amortised cost	98,262,569	57,242,133
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>At Amortised cost</b>			
Long-term Liabilities	Annuity Loans	630,237,053	500,494,166
Consumer Deposits	Electricity and Water	25,925,779	22,138,506
Creditors	Trade creditors	74,521,956	68,914,487
Creditors	Staff Leave	23,841,116	17,695,745
Creditors	Payments received in advance	21,577,425	14,877,309
Creditors	Other creditors	73,535,810	56,125,600
Unspent Conditional Grants and Receipts	Conditional Grants from other spheres of Government	21,294,163	25,270,205
Unspent Conditional Grants and Receipts	Other Conditional Receipts	3,640,845	2,128,756
Bank Overdraft	Bank Overdraft	0	0
Current Portion of Long-term Liabilities	Annuity Loans	98,262,569	57,242,133
<b>Total Financial Liabilities</b>		<b>972,836,715</b>	<b>764,886,927</b>

**46.2 Fair Value of Financial Instruments**

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values, except for the listed Government stock. In accordance with IAS 39.09 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	2013		2012	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
<b>FINANCIAL ASSETS</b>				
<b>Amortised cost</b>				
Listed Investments	153,005	153,005	112,000	160,822
	<u>153,005</u>	<u>153,005</u>	<u>112,000</u>	<u>160,822</u>
	232,760,499	232,760,499	157,519,652	157,519,852
Long-term Receivables	1,438,946	1,438,946	1,282,835	1,282,835
Receivables from exchange transactions	159,552,456	159,552,456	101,913,998	101,913,998
Receivables from non-exchange transactions	58,622,444	58,622,444	34,183,437	34,183,437
Current Portion of Long-term Receivables	291,916	291,916	303,485	303,485
VAT Receivable	12,654,737	12,654,737	19,836,097	19,836,097
<b>At Fair value</b>				
Bank Balances and Cash	135,848,333	135,848,333	111,957,158	111,957,158
	<u>135,848,333</u>	<u>135,848,333</u>	<u>111,957,158</u>	<u>111,957,158</u>
<b>Total Financial Assets</b>	<b>368,759,836</b>	<b>368,759,836</b>	<b>269,589,010</b>	<b>299,637,832</b>
<b>FINANCIAL LIABILITIES</b>				
<b>At amortised cost:</b>				
	874,574,144	874,574,144	707,644,794	707,644,794
<b>Unsecured Bank Facilities:</b>				
- Annuity Loans	531,974,484	531,974,484	443,252,053	443,252,053
- Bank Overdraft	0	0	0	0
<b>Trade and Other Payables:</b>				
- Consumer Deposits	342,699,660	342,699,660	264,392,741	264,392,741
- Payables from exchange transactions	25,925,779	25,925,779	22,138,506	22,138,506
- Payables from non-exchange transactions	193,476,306	193,476,306	157,613,141	157,613,141
- Unspent Conditional Grants	24,935,006	24,935,006	27,398,961	27,398,961
- Current Portion of Long-term Liabilities	98,262,569	98,262,569	57,242,133	57,242,133
<b>Total Financial Liabilities</b>	<b>874,574,144</b>	<b>874,574,144</b>	<b>707,644,794</b>	<b>707,644,794</b>
<b>Total Financial Instruments</b>	<b>(505,814,308)</b>	<b>(505,814,308)</b>	<b>(438,055,784)</b>	<b>(438,006,962)</b>

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

The Fair Value of Long term liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of Other Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

The Annual Financial Statements include holdings in Listed Government Stock which are measured at amortised cost (note 14). Fair Value is estimated with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

#### Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable market data.

30 June 2013

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
Financial Instruments at Fair Value:				
Listed Investments	153,005	-	-	153,005
Call Deposits	-	-	-	-
Short-Term Portion of Investments	-	-	-	-
Bank Balances and Cash	-	-	-	-
<b>Total Financial Assets</b>	<b>153,005</b>	<b>-</b>	<b>-</b>	<b>153,005</b>
<b>FINANCIAL LIABILITIES</b>				
Financial Instruments at Fair Value:				
Other Loans	-	-	-	-
Bank Overdraft	-	-	-	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Financial Instruments</b>	<b>153,005</b>	<b>-</b>	<b>-</b>	<b>153,005</b>

30 June 2012

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
Financial Instruments at Fair Value:				
Listed Investments	160,822	-	-	160,822
Call Deposits	-	-	-	-
Short-Term Portion of Investments	-	-	-	-
Bank Balances and Cash	-	-	-	-
<b>Total Financial Assets</b>	<b>160,822</b>	<b>-</b>	<b>-</b>	<b>160,822</b>
<b>FINANCIAL LIABILITIES</b>				
Financial Instruments at Fair Value:				
Other Loans	-	-	-	-
Bank Overdraft	-	-	-	-
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Financial Instruments</b>	<b>160,822</b>	<b>-</b>	<b>-</b>	<b>160,822</b>

#### 46.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 5; Cash and Cash Equivalents disclosed in Note 21; and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Notes 1 to 3 and the Statement of Changes in Net Assets.

#### Gearing Ratio

The gearing ratio at the year-end was as follows:

Debt	630,237,053	500,494,168
Equity	3,571,941,447	3,564,603,424
Net debt to equity ratio	17.64%	14.04%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 5.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position C2056+C2042.

#### 46.4 Financial Risk Management Objectives

Due to largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

#### 46.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

#### 46.6 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 47.8 below). No formal policy exists to hedge volatilities in the



#### 46.7 Interest Rate Risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest. Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances. The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the Municipality's interest bearing external loan liabilities, as detailed in No interest rate sensitivity analysis was performed, as the municipality is not exposed to variable interest rates on outstanding liabilities.

The municipality's maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

#### Effect of a change in interest rate on interest bearing financial assets and liabilities

Financial Assets	Classification	R 2013
<b>External Investments:</b>		
Fixed Deposits	Amortised cost	153,005
Call Deposits	Amortised cost	70,633,934
Bank Balances	Amortised cost	65,169,648
Cash Flows and Advances	Amortised cost	13,700
		<b>135,999,337</b>
<b>Interest received</b>		
Interest Earned - External Investments		6,105,540
Interest rate		4%
<b>Effect of a change in interest rate on interest earned from external investments:</b>		
Effect of change in interest rate	%	3%
Effect of change in interest rate	Rand value	4,745,548
Effect of change in interest rate	%	5%
Effect of change in interest rate	Rand value	7,465,533
<b>Outstanding debtors:</b>		
Receivables from exchange transactions	Amortised cost	159,552,456
Receivables from Non exchange transactions	Amortised cost	58,622,444
Staff loans - current portion	Amortised cost	
		<b>218,174,899</b>
<b>Interest received</b>		
Interest Earned - Outstanding Debtors		10,922,408
Interest rate		6%
<b>Effect of a change in interest rate on interest earned from outstanding debtors</b>		
Effect of change in interest rate	%	4%
Effect of change in interest rate	Rand value	8,740,659
Effect of change in interest rate	%	6%
Effect of change in interest rate	Rand value	13,104,157
<b>Financial Liabilities</b>	<b>Classification</b>	
<b>Long-term Liabilities</b>		
Annuity Loans	Amortised cost	630,237,053
Finance leases	Amortised cost	
		<b>630,237,053</b>
<b>Interest paid</b>		
Long-term Liabilities		49,275,660
Interest rate %		6%
<b>Effect of a change in interest rate on interest paid on long-term liabilities</b>		
Effect of change in interest rate	%	7%
Effect of change in interest rate	Rand value	42,973,269
Effect of change in interest rate	%	9%
Effect of change in interest rate	Rand value	55,578,030

#### 46.7 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The Municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the Municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

#### 46.8 Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

30 JUNE 2013

Description	Average Effective Interest Rates	6 Months or less	6 - 12 Months	1 - 2 Years	Total carried forward
	%	R	R	R	R
<b>FIXED RATE INSTRUMENTS</b>					
Unsecured Bank Facilities		(78,304,532)	(154,816,975)	(278,907,841)	(512,029,347)
Loan No 10618/4 DBSA	10.60%	(1,792,407)	(1,792,726)	0	(3,585,133)
Loan No 10618/4 DBSA	11.45%	(4,219,686)	(8,439,372)	(16,878,743)	(29,537,801)
Loan No 10618/4 DBSA	6.75%	(549,243)	(1,693,466)	(3,396,973)	(5,944,702)
Loan No 00-0001 INCA	9.30%	(2,282,620)	(4,565,240)	(8,847,860)	(13,695,721)
Loan No 00-0001 INCA	10.03%	(1,843,201)	(3,686,402)	(7,372,603)	(12,902,406)
Loan No 00-0001 ABSA BANK	9.21%	(1,674,437)	(3,348,875)	(6,697,749)	(11,721,061)
Loan No NEDBANK	12.65%	(8,784,540)	(17,569,060)	(35,138,160)	(61,551,760)
Loan No 783 103 0646 NEDBANK	10.22%	(859,017)	(1,718,033)	(3,436,066)	(5,913,116)
Loan No 783 103 0646 NEDBANK	10.64%	(6,053,205)	(12,106,410)	(24,212,816)	(42,372,434)
Loan No NEDBANK	7.75%	(2,822,483)	(5,644,965)	(11,289,931)	(19,757,379)
Loan No NEDBANK	8.16%	(4,614,606)	(9,229,213)	(18,458,425)	(32,302,244)
Loan No NEDBANK	8.63%	(2,554,560)	(5,109,120)	(10,218,240)	(17,881,919)
Loan No NEDBANK	9.14%	(9,579,182)	(19,158,364)	(38,316,728)	(67,054,274)
Loan No NEDBANK	7.75%	(13,613,539)	(27,227,077)	(54,454,154)	(95,294,770)
Loan No NEDBANK	8.79%	(4,662,544)	(9,325,087)	(18,650,174)	(32,637,805)
Loan No 072-154-314 STANDARD BANK	10.25%	(3,041,059)	(6,082,119)	(12,164,237)	(21,287,415)
Loan No 072-154-411 STANDARD BANK	10.40%	(3,973,911)	(7,947,823)	(15,895,646)	(27,817,380)
Loan No 072-000-000 STANDARD BANK	10.05%	(4,674,292)	(9,348,584)	(18,697,168)	(32,720,043)
<b>Total Fixed Rate Instruments</b>		<b>(78,304,532)</b>	<b>(154,816,975)</b>	<b>(278,907,841)</b>	<b>(512,029,347)</b>
<b>VARIABLE RATE INSTRUMENTS</b>					
<b>Total Variable Rate Instruments</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

30 JUNE 2013

Description	Average Effective Interest Rates	Total brought forward	3-5 Years	More than 5 Years	Total
	%	R	R	R	R
<b>FIXED RATE INSTRUMENTS</b>					
Unsecured Bank Facilities		(512,029,347)	(328,825,987)	(9,579,182)	(850,434,516)
Loan No 10618/4 DBSA	10.80%	(3,555,133)	0	0	(3,555,133)
Loan No 10618/4 DBSA	11.45%	(29,537,601)	(21,093,429)	0	(50,631,030)
Loan No 10618/4 DBSA	6.75%	(5,944,702)	(4,248,216)	0	(10,192,918)
Loan No 00-0001 INCA	9.30%	(13,695,721)	0	0	(13,695,721)
Loan No 00-0001 ABISA BANK	10.03%	(12,902,406)	(5,529,602)	0	(18,432,008)
Loan No NEDBANK	9.21%	(11,721,051)	(11,721,051)	0	(23,442,102)
Loan No 783 103 0646 NEDBANK	12.65%	(61,551,780)	(26,383,620)	0	(87,935,400)
Loan No 783 103 0646 NEDBANK	10.64%	(3,436,056)	0	0	(3,436,056)
Loan No NEDBANK	10.22%	(42,372,434)	(54,478,843)	0	(96,851,277)
Loan No NEDBANK	7.75%	(11,269,931)	0	0	(11,269,931)
Loan No NEDBANK	8.18%	(32,302,244)	(4,614,656)	0	(36,916,900)
Loan No NEDBANK	8.63%	(17,881,919)	(12,772,759)	0	(30,654,678)
Loan No NEDBANK	9.14%	(67,054,274)	(55,791,820)	(9,579,182)	(132,425,276)
Loan No NEDBANK	7.75%	(82,881,232)	0	0	(82,881,232)
Loan No NEDBANK	8.79%	(34,037,805)	(14,587,531)	0	(48,625,336)
Loan No 072-154-314 STANDARD BANK	10.25%	(21,287,415)	(3,041,059)	0	(24,328,474)
Loan No 072-154-411 STANDARD BANK	10.40%	(27,817,350)	(27,817,350)	0	(55,634,700)
Loan No 072-000-000 STANDARD BANK	10.08%	(32,720,043)	(48,742,919)	(14,022,876)	(95,485,838)
<b>Total Fixed Rate Instruments</b>		<b>(512,029,347)</b>	<b>(328,825,987)</b>	<b>(9,579,182)</b>	<b>(850,434,516)</b>
<b>VARIABLE RATE INSTRUMENTS</b>					
<b>Total Variable Rate Instruments</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

30 JUNE 2012

Description	Average Effective Interest Rates	6 Months or less	6 - 12 Months	1 - 2 Years	Total carried forward
	%	R	R	R	R
<b>FIXED RATE INSTRUMENTS</b>					
Unsecured Bank Facilities		(53,279,720)	(105,559,441)	(204,060,479)	(362,899,639)
Loan No 10618/4 DBSA	10.80%	(1,792,497)	(3,534,815)	(1,792,726)	(7,119,038)
Loan No 10618/4 DBSA	11.45%	(4,219,686)	(8,439,372)	(18,878,743)	(29,537,601)
Loan No 10618/4 DBSA	6.75%	(849,243)	(1,698,485)	(3,396,973)	(5,944,702)
Loan No 00-0001 INCA	9.30%	(2,282,620)	(4,565,240)	(9,130,481)	(15,978,341)
Loan No 00-0001 INCA	10.03%	(1,843,201)	(3,686,402)	(7,372,803)	(12,902,406)
Loan No NEDBANK	12.65%	(8,794,540)	(17,589,080)	(35,178,160)	(61,551,780)
Loan No 783 103 0646 NEDBANK	10.22%	(859,017)	(1,718,033)	(2,577,050)	(5,154,100)
Loan No 783 103 0646 NEDBANK	10.64%	(6,053,205)	(12,106,410)	(24,212,819)	(42,372,434)
Loan No NEDBANK	7.75%	(2,822,483)	(5,644,965)	(8,467,448)	(16,934,896)
Loan No NEDBANK	8.18%	(4,614,605)	(9,229,213)	(18,458,425)	(32,302,244)
Loan No NEDBANK	8.63%	(2,554,580)	(5,109,120)	(10,218,240)	(17,881,920)
Loan No NEDBANK	9.14%	(9,579,182)	(19,158,364)	(38,316,728)	(67,054,274)
Loan No 072-154-314 STANDARD BANK	10.25%	(3,041,059)	(6,082,119)	(12,164,237)	(21,287,415)
Loan No 072-154-411 STANDARD BANK	10.40%	(3,973,911)	(7,947,823)	(15,895,646)	(27,817,350)
<b>Total Fixed Rate Instruments</b>		<b>(53,279,720)</b>	<b>(105,559,441)</b>	<b>(204,060,479)</b>	<b>(362,899,639)</b>
<b>VARIABLE RATE INSTRUMENTS</b>					
<b>Total Variable Rate Instruments</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

30 JUNE 2012

Description	Average Effective Interest Rates	Total brought forward	3-5 Years	More than 5 Years	Total
	%	R	R	R	R
<b>FIXED RATE INSTRUMENTS</b>					
Unsecured Bank Facilities		(363,899,639)	(267,045,168)	(28,737,546)	(659,682,353)
Loan No 10618/4 DBSA	10.80%	(7,169,948)	0	0	(7,169,948)
Loan No 10618/4 DBSA	11.45%	(29,537,601)	(29,537,601)	0	(59,075,202)
Loan No 10618/4 DBSA	6.75%	(5,944,702)	(5,944,702)	0	(11,889,404)
Loan No 00-0001 INCA	9.30%	(15,978,341)	(2,282,620)	0	(18,260,961)
Loan No 00-0001 INCA	10.03%	(12,902,406)	(12,902,406)	0	(25,804,811)
Loan No NEDBANK	12.65%	(61,551,780)	(43,972,700)	0	(105,524,480)
Loan No 783 103 0646 NEDBANK	10.22%	(5,154,100)	0	0	(5,154,100)
Loan No 783 103 0646 NEDBANK	10.64%	(42,372,434)	0	0	(42,372,434)
Loan No NEDBANK	7.75%	(16,934,896)	0	0	(16,934,896)
Loan No NEDBANK	8.18%	(32,302,244)	(13,643,819)	0	(45,946,063)
Loan No NEDBANK	8.63%	(17,881,920)	(17,881,919)	0	(35,763,839)
Loan No NEDBANK	9.14%	(67,054,274)	(95,791,820)	(28,737,546)	(191,583,640)
Loan No 072-154-314 STANDARD BANK	10.25%	(21,287,415)	(9,423,170)	0	(30,710,585)
Loan No 072-154-411 STANDARD BANK	10.40%	(27,817,350)	(35,765,203)	0	(63,582,553)
<b>Total Fixed Rate Instruments</b>		<b>(363,899,639)</b>	<b>(267,045,168)</b>	<b>(28,737,546)</b>	<b>(659,682,353)</b>
<b>VARIABLE RATE INSTRUMENTS</b>					
<b>Total Variable Rate Instruments</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The municipality has access to financing facilities, the total unused amount which is R5 million at the balance sheet date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

#### 46.9 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and The Municipality manages credit risk in its borrowing and investing activities by only dealing with well-established financial institutions of high credit standing, and by The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Investments	153,005	160,822
Long-term Receivables	4,618,395	5,300,470
Receivables from Exchange Transactions	311,884,909	263,268,074
Receivables from Non-Exchange Transactions	44,942,350	18,776,094
VAT receivable	12,854,737	19,836,097
Bank and Cash Balances	135,846,333	111,957,156
<b>Maximum Credit and Interest Risk Exposure</b>	<b>510,299,730</b>	<b>419,298,713</b>

#### 46.10 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

### 47 RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible Councilors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R31,490,061 (2012: R18,126,900) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

#### CAPE JOINT PENSION FUND

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

##### Defined Benefit Scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 16% (period 30 June 2009 - 31 January 2012) and 23.06 % (period 1 February 2012 - 30 June 2012) by their councils. The actuarial valuation report at 30 June 2012 disclosed an actuarial valuation amounting to R3,014,878 million (30 June 2011: R2 971 150 million), with a net accumulated deficit of R18,287 million (R58 935 million), with a funding level of 99.4 % (30 June 2011: 98.1%)

##### Defined Contribution Scheme

The actuarial valuation report at 30 June 2012 indicated that the defined contribution scheme of the fund is in a sound financial position, with assets amounting to R421.9 million (30 June 2011: R 386 670 million), net investment reserve of R21,231 million (30 June 2011: R15 285 million) and a funding level of 105.3% (2011: 104.1%)

#### CAPE JOINT RETIREMENT FUND

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R11,348,285 million (30 June 2011: R 9 930,637 million), with funding levels of 99.9% and 108% (30 June 2011: 100.03% and 116.6%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7.50%) and the municipalities (19.50%) is sufficient to fund the benefits accruing from the fund in the future.

#### SALA PENSION FUND

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R 8,753.4 million (30 June 2011 R 8,015 million), with funding levels of 100% (30 June 2011: 98.1%). The highest contribution rate paid by the members was 9% and by Council 16%.

The trustees have subsequently agreed with the Financial Services Board on a revised scheme of arrangement. As part of the new scheme of arrangement, the funds benefits have been restructured to ease the pressure on the required future service contribution rate.

It is the actuary's opinion that the fund can be regarded as financially sound at the valuation date.

#### MUNICIPAL COUNCILLORS' PENSION FUND

The Municipal Councilors Pension Fund operates as a defined contribution scheme. The actuarial valuation of the fund was undertaken prior to 2012 was at 30 June 2009 and it was reported to be in a sound financial position. The contribution rate paid by the members (13.75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. Although the last actuarial valuation was performed on 30 June 2012 the actuarial valuation had not been made public at the date of completion of these financial statements.

#### NATIONAL FUND FOR MUNICIPAL WORKERS

The above mentioned fund is a defined contribution Fund and according to Regulation 2 of the Pension Funds Act no 24 of 1956 exempt from the provisions of sections 9A and 16 of the Act. The contribution rate paid by the members (9.00 %) and council (18.00 %).

The latest statutory valuation was done on 01 July 2008, and at this date the results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions plus investment returns less administration costs. Although the last actuarial valuation was performed on 30 June 2012, the actuarial valuation had not been made public at the date of completion of these financial statements.

#### SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The SAMWU National Provident Fund is a defined contribution scheme. The contribution rate paid by the members (5%) and council (12%) is sufficient to fund the benefits accruing from the fund in the future. The last actuarial valuation of the fund was performed at 30 June 2008 and the fund was certified as being in a financially sound position. The next statutory valuation was due not later than 30 June 2009. Valuation not yet received.

### 48 CONTINGENT LIABILITY

#### Nova Packhouse (Pty) Ltd

Claim for damages

114,563,595	114,563,595
-------------	-------------

The Municipality is being sued by Nova Packhouse (Pty) Ltd for losses suffered when a building was severely damaged by fire. Council is waiting for legal advice. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled.

#### Paarl Print

Claim for damages

448,819,504	448,819,504
-------------	-------------

The Municipality is being sued by Paarl Print for losses suffered when a building was severely damaged by fire. Council is waiting for legal advice. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled.

#### Paarl Print

Claim for damages

2,000,000	2,000,000
-----------	-----------

The Municipality is being sued by Paarl Print for losses suffered when a building was severely damaged by fire. Council is waiting for legal advice. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled.

#### Fire Fighting Services

Claim for services rendered

1,287,012	1,287,012
-----------	-----------

Fire Fighting charges incurred by Cape Winelands District Municipality, on behalf of Drakenstein Municipality.

#### Fire Paarl Mountain

Claims for damages

2,248,954	0
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The Municipality is being sued by JA Cliff (Pty) Ltd for losses suffered by fire. Council is waiting for legal advice. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled.

## SARS Dispute - June 2009

SARS conducted a VAT audit for the period June 2009 during the 2011/12 year. SARS indicated that an amount of R1,145,000 will be held back, due to incorrect claims. The Municipality has indicated its intent to declare a dispute on certain interpretations applied and the apportionment methodology used by SARS in determining the amount held back. Consequently an amount of R1,145,000 is considered to be a contingent asset, as there is currently uncertainty whether the Municipality will be able to recover the above-mentioned amount claimed from SARS.

Furthermore due to the dispute above a contingent liability amounting to R493,822.24 due to SARS exists for the assessment period June 2009.

## Guarantees of employee housing loans

Guarantees have been issued to various financial institutions on behalf of officials in respect of housing loans. This is partially covered by individual accumulated pensions depending on the years of service. Collateral investments were made in certain cases. The maximum amount of the guarantee in the event of the default is R 0,00 (2012: R476)

0	476
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## Comparison with the budget

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).

## 49 BIOLOGICAL ASSETS

The Municipality has various species of Proteacea growing on the Paarlberg (Erf 1 Paarl), a National heritage site. Due to the fact that the plants are growing in a nature reserve it is protected by the nature conservation act (Act no 19 of 1974) a special permit must be obtained to harvest any seeds produced by these plants. These plants grow wild and is exposed to natural conditions such as fire, furthermore there is no input cost by the municipality in order to enhance the growth of these plants or to control it as what would normally be seen in an agricultural activity. These plants produce seedlings on a yearly basis that can result in plants but the municipality cannot determine the quantity of plants as these plants are all in different stages of growth. For the reasons above these plants are not recognised and accounted for in terms of GRAP 101, Agriculture.

## 50 REPORTING OF PERFORMANCE AGAINST THE BUDGET

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal Budget regulations as well as MFMA Budget circulars. In accordance with the Municipal Budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis) and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material it is explained in the explanations below.

The reasons for changes between the approved (Adjustment Budget) and final figures are related to variances within Votes and explained as follows:

## Statement of Financial Performance

Property Rates - Penalties imposed and collection charges

Fines

Other Receipts

Impairment Losses

Grants and Subsidies Paid

Increase in penalties due to more penalties raised due to late payments of debtor accounts

Due to the issuing of more fines and the payment of fines that increased.

More income received due to depreciation written back

Due to no budget to capitalise the expenses to

Under payment due to service level agreements not in place.

## Capital Expenditure per function

Executive and Council

Budget and Treasury Office

Sport and Recreation

Public Safety

Housing

Health

Waste Management

Due to general equipment not purchased

Due to general equipment not purchased

Due to general equipment not purchased

Due to general equipment not purchased

Due to general equipment not purchased

Due to general equipment not purchased

## 51 REPORTING AGAINST THE FRAMEWORK FOR SCHEDULE 4 DORA ALLOCATIONS

Submit project registrations and detail project implementation plans before the prescribed due dates. Department of provincial and Local Government is monitoring the overall programme implementation.

## 52 Registered MIG programmes for the 2012/2013 financial year

SPORTSFIELDS LIGHTING (MIG)

P.M.U. MIG

BULK GRAVITY OUTFALL SEWER PAARL SOUTH -

UPGRADE AND EXTENSIONS TO PAARL WWTW PHA

WELLINGTON WWTW. REHABILITATION & EXTENTI

PENTZ STREET PUMP STATION & NEW RISING M

11 ML NEWTON RESERVOIR (MIG)

UPGRADING OF WATER SUPPLY TO NEWTON AREA

WATER TREATMENT WORKS: PAARL MOUNTAIN (M

Received	Expenditure	Closing Balance
1,000,000	970,274	23,726
852,120	852,120	0
14,922,886	14,922,885	1
3,250,000	3,250,000	0
1,000,000	1,000,000	0
6,547,880	6,542,792	5,088
100,000	100,000	0
6,643,000	6,643,000	0
687,000	687,000	0
35,002,886	34,968,072	34,814

## 53 STATEMENT OF FINANCIAL PERFORMANCE SURPLUS / (DEFICIT)

Total Revenue

Total Expenditure

1,351,693,717

1,348,769,167

1,213,605,946

4,924,650

(50,282,054)

Min : Revenue from Capital grants

Plus: Provision for Bad debts

Plus: Depreciation

Min : Redemption

88,129,139

(56,630,809)

48,121,218

153,681,258

(57,242,528)

93,053,689

32,143,897

Revised Surplus / (Deficit) for the year

## 54 UTILISATION OF CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

Capital Replacement Reserve

Self Insurance Reserve

Unspent Conditional Grants

External Loans not spent

Cash available for activities

135,846,333

101,519,817

20,093,486

1,745,224

24,935,006

64,746,102

34,326,515

111,957,156

95,668,949

22,766,563

1,934,178

25,423,416

46,544,791

15,288,207

# **APPENDIX A** **DRAKENSTEIN MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013**

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable Date	Balance at 1 July 2012	Received during the period	Capitalised during the period	Redeemed/ written off during the period	Balance at 30 June 2013
				R	R	R	R	R
<b>ANNUITY AND OTHER LOANS</b>								
DBSA	13.68%	101633/1	2012	0	0	0	0	0
DBSA	10.74%	100618/3	2011	13	0	0	0	13
DBSA	10.80%	100618/4	2014	6,294,889	0	0	2,981,777	3,313,112
DBSA	11.48%	103485/4	2018	39,852,452	0	0	3,974,718	35,877,734
DBSA	6.75%	103485/5	2018	9,368,415	0	0	1,084,885	8,283,530
ABSA BANK	9.21%			0	17,000,000	0	0	17,000,000
NEDBANK	12.65%	49793540000	2018	72,422,012	0	0	8,692,700	63,729,313
NEDBANK	10.22%	1957327022	2015	4,345,723	0	0	1,307,548	3,038,176
NEDBANK	10.64%	7831030646	2021	68,980,128	0	0	4,885,880	64,094,248
NEDBANK	7.75%	0577831030646/5	2015	14,842,246	0	0	4,565,110	10,277,136
NEDBANK	8.18%	0577831030646/6	2017	37,223,420	0	0	6,266,878	30,956,542
NEDBANK	8.63%	0577831030646/3	2019	26,400,000	0	0	2,859,020	23,540,980
NEDBANK	9.14%	0577831030646/4	2022	123,692,029	0	0	7,869,227	115,822,802
NEDBANK	7.75%				73,085,000	0	0	73,085,000
NEDBANK	8.79%				38,900,000	0	0	38,900,000
STANDARD BANK	10.25%	72154314	2017	23,334,602	0	0	3,783,611	19,550,991
STANDARD BANK	10.40%	72154411	2020	42,447,881	0	0	3,623,417	38,824,464
STANDARD BANK	10.08%				58,000,000	0	0	58,000,000
INCA	9.30%	Loan A	2016	14,947,517	0	0	3,241,399	11,706,118
INCA	10.03%	Loan B	2018	16,343,403	0	0	2,106,359	14,237,044
<b>TOTAL EXTERNAL LOANS</b>				<b>500,494,729</b>	<b>186,985,000</b>	<b>0</b>	<b>57,242,528</b>	<b>630,237,188</b>

[illegible]



**APPENDIX C1**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)**

DESCRIPTION	2012/2013										
	1	2	3	4	5	6	7	8	9	10	11
	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (i.e. 228 and 231 of the MFMA)	FINAL ADJUSTMENTS BUDGET	SHIFTING OF FUNDS (i.e. 231 of the MFMA)	VERIMENT (i.e. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	ACTUAL OUTCOME AS % OF FINAL BUDGET	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET
<b>REVENUE - STANDARD</b>											
<b>GOVERNANCE AND ADMINISTRATION</b>											
EXECUTIVE AND COUNCIL	215,000,710	7,087,501	222,088,311	0	0	222,088,311	222,150,767	0	62,456	100.0%	103.3%
BUDGET AND TREASURY OFFICE	7,752,501	(123,202)	7,629,399	0	0	7,629,399	9,430,516	0	1,801,117	123.6%	121.6%
CORPORATE SERVICES	202,213,836	9,110,943	211,324,779	0	0	211,324,779	203,863,793	0	(7,460,986)	96.5%	100.8%
<b>COMMUNITY AND PUBLIC SAFETY</b>											
COMMUNITY AND SOCIAL SERVICES	5,034,273	(1,500,140)	3,534,133	0	0	3,534,133	8,856,457	0	5,322,324	282.6%	175.9%
SPORT AND RECREATION	107,539,825	(3,749,086)	103,790,739	0	(4,730,747)	99,059,992	111,701,184	0	12,641,192	112.8%	103.9%
PUBLIC SAFETY	3,695,187	174,669	3,869,856	0	2	3,869,858	3,772,446	0	(97,412)	97.5%	102.1%
HOUSING	2,342,615	466,420	2,809,035	0	(4)	2,809,031	2,443,045	0	(365,986)	87.0%	104.3%
HEALTH	19,114,489	(3,332,557)	15,781,932	0	0	15,781,932	16,606,989	0	825,057	105.2%	86.9%
<b>ECONOMIC AND ENVIRONMENTAL SERVICES</b>											
PLANNING AND DEVELOPMENT	82,385,434	(1,056,596)	81,328,836	0	(4,730,745)	76,598,091	88,877,459	0	12,279,368	116.0%	107.9%
ROAD TRANSPORT	2,100	(1,020)	1,080	0	0	1,080	1,244	0	164	115.2%	59.3%
ENVIRONMENTAL PROTECTION	9,260,352	12,447,568	21,707,920	0	(12,532,344)	9,175,576	6,911,973	0	(2,263,603)	75.3%	74.6%
TRADING SERVICES	5,275,575	(297,793)	4,977,782	0	(0)	4,977,782	3,978,649	0	(999,133)	79.9%	75.4%
ELECTRICITY	3,984,777	12,745,361	16,730,138	0	(12,532,344)	4,197,784	2,933,324	0	(1,264,470)	69.9%	73.6%
WATER	1,040,760,751	(60,882,124)	979,878,627	0	(77,112)	979,801,515	1,010,929,793	0	31,128,278	103.2%	97.1%
WASTE WATER MANAGEMENT	723,442,593	(34,678,152)	688,764,441	0	1	688,764,441	709,117,986	0	20,353,545	103.0%	98.0%
WASTE MANAGEMENT	138,687,013	(17,787,179)	120,899,834	0	1	120,899,835	129,525,571	0	8,625,736	107.1%	93.4%
OTHER	98,220,055	(3,586,022)	94,634,033	0	(77,113)	94,556,920	95,194,112	0	637,192	100.7%	96.9%
<b>TOTAL REVENUE - STANDARD</b>	80,411,090	(4,830,771)	75,580,319	0	(0)	75,580,319	77,082,124	0	1,511,805	102.0%	95.9%
<b>EXPENDITURE - STANDARD</b>											
<b>GOVERNANCE AND ADMINISTRATION</b>											
EXECUTIVE AND COUNCIL	1,372,561,637	(45,096,041)	1,327,465,596	0	(17,340,202)	1,310,125,394	1,351,693,717	0	41,568,323	103.2%	98.5%
BUDGET AND TREASURY OFFICE	235,207,844	12,724,356	247,932,200	0	476,237	248,408,437	247,674,422	(6,128,145)	734,015	99.7%	105.3%
CORPORATE SERVICES	60,844,484	(3,967,198)	56,877,286	0	(135,128)	56,742,158	57,051,710	(309,552)	(309,552)	100.5%	93.8%
<b>COMMUNITY AND PUBLIC SAFETY</b>											
COMMUNITY AND SOCIAL SERVICES	57,010,530	(1,635,318)	55,375,212	0	(49,987)	55,325,225	61,143,818	(5,818,593)	(5,818,593)	110.5%	107.3%
SPORT AND RECREATION	117,352,830	18,326,871	135,679,701	0	661,353	136,341,054	129,478,894	0	6,862,160	95.0%	110.3%
PUBLIC SAFETY	234,112,677	(9,850,968)	224,261,709	0	738,079	224,999,788	229,048,276	(6,543,487)	(4,048,488)	101.8%	97.8%
HOUSING	23,602,860	(1,570,691)	22,032,169	0	77,085	22,109,254	21,554,555	0	554,699	97.5%	91.3%
HEALTH	48,588,423	2,361,170	50,949,593	0	(79,305)	50,870,288	49,268,580	0	1,601,708	96.9%	101.4%
<b>ECONOMIC AND ENVIRONMENTAL SERVICES</b>											
PLANNING AND DEVELOPMENT	43,722,079	(2,419,337)	41,302,742	0	637,319	41,940,061	42,404,702	(464,641)	(464,641)	101.1%	97.0%
ROAD TRANSPORT	112,658,379	(3,366,847)	109,291,532	0	102,964	104,394,516	110,473,361	(6,078,845)	(6,078,845)	105.8%	98.1%
ENVIRONMENTAL PROTECTION	5,540,936	144,736	5,685,672	0	(3)	5,685,669	5,347,077	0	338,592	94.0%	96.5%
TRADING SERVICES	105,191,242	10,784,963	115,976,205	0	(1,699,327)	114,276,878	108,262,966	0	6,013,912	94.7%	102.9%
ELECTRICITY	30,841,455	(38,281)	30,803,174	0	(388,976)	30,414,198	28,900,251	0	1,513,947	95.0%	93.7%
WATER	74,349,787	10,823,244	85,173,031	0	(1,310,351)	83,862,680	79,362,715	0	4,499,965	94.6%	106.7%
WASTE WATER MANAGEMENT	0	0	0	0	0	0	0	0	0	0.0%	0.0%
WASTE MANAGEMENT	749,543,244	7,716,457	757,259,701	0	485,010	757,744,711	751,783,503	(7,506,780)	(4,038,792)	100.5%	101.6%
OTHER	582,491,799	(1,783,238)	580,708,561	0	375,355	581,083,927	582,704,138	(1,620,211)	(1,620,211)	100.3%	100.0%
<b>TOTAL EXPENDITURE - STANDARD</b>	64,447,225	6,036,309	70,483,534	0	131,199	70,614,733	67,206,745	0	3,467,988	95.1%	104.3%
<b>REVENUE - STANDARD</b>	55,516,149	2,493,868	58,010,017	0	248,440	58,258,457	59,466,167	(1,207,710)	(1,207,710)	102.1%	102.1%
<b>EXPENDITURE - STANDARD</b>	47,088,071	909,517	47,997,588	0	(269,994)	47,727,594	52,406,453	(4,678,859)	(4,678,859)	109.8%	111.3%



**APPENDIX C1**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)**

DESCRIPTION	2012/2013										
	ORIGINAL BUDGET 1	BUDGET ADJUSTMENTS (i.e. s28 and s31 of the MFMA) 2	FINAL ADJUSTMENTS BUDGET 3	SHIFTING OF FUNDS (i.e. s31 of the MFMA) 4	VERIMENT (i.e. Council approved by law) 5	FINAL BUDGET 6	ACTUAL OUTCOME 7	UNAUTHORISED EXPENDITURE 8	VARIANCE 9	ACTUAL OUTCOME AS % OF FINAL BUDGET 10	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET 11
OTHER											
TOTAL - EXPENDITURE - STANDARD	1,324,055,007	21,374,807	1,345,429,814	0	0	1,345,429,814	1,346,768,167	(1,339,353)	(1,339,353)	100.1%	101.7%
SURPLUS/(DEFECIT) FOR THE YEAR	48,506,630	(23,721,234)	(17,964,217)	0	0	(35,304,420)	4,924,550		(40,228,970)	-13.9%	10.2%

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY MUNICIPAL VOTE)**

2012/2013											
DESCRIPTION	1	2	3	4	5	6	7	8	9	10	11
	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (i.t.o. s28 and s31 of the MFMA)	FINAL ADJUSTMENTS BUDGET	SHIFTING OF FUNDS s31 of the MFMA	VERIMENT (i.t.o. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	AUCTUAL OUTCOME AS % OF FINAL BUDGET	AUCTUAL OUTCOME AS % OF ORIGINAL BUDGET
Revenue by Vote											
OFFICE OF THE MUNICIPAL MANAGER	0	12,598	12,598	0	0	12,598	0	0	12,598	0.0%	0.0%
CORPORATE SERVICES	12,749,170	(2,139,638)	10,609,532	0	0	10,609,532	18,104,280	0	(7,494,748)	170.5%	142.0%
COMMUNITY SERVICES	187,948,813	(8,578,837)	179,369,976	0	0	179,369,976	188,792,063	0	(9,422,087)	105.3%	100.4%
FINANCIAL SERVICES	202,213,839	9,110,940	211,324,779	0	0	211,324,779	203,933,144	0	7,391,635	96.5%	100.9%
PLANNING AND ECONOMIC DEVELOPMENT	5,277,675	(311,411)	4,966,264	0	0	4,966,264	3,979,894	0	986,370	80.1%	75.4%
INFRASTRUCTURE SERVICES	964,372,140	(43,189,692)	921,182,448	0	(17,340,203)	903,842,245	936,884,335	0	(33,042,090)	103.7%	97.1%
Total Revenue by Vote	1,372,561,637	(45,096,040)	1,327,465,597	0	(17,340,203)	1,310,125,394	1,351,693,717	0	(41,568,323)	103.2%	98.5%
Expenditure by Vote to be appropriated											
OFFICE OF THE MUNICIPAL MANAGER											
CORPORATE SERVICES	14,491,491	(1,334,585)	13,156,906	0	226,955	13,383,861	11,473,084	0	1,910,777	85.7%	79.2%
COMMUNITY SERVICES	99,796,653	4,911,240	104,707,893	0	(505,220)	104,202,673	103,789,154	0	413,519	98.6%	104.0%
FINANCIAL SERVICES	286,728,834	(8,236,644)	278,492,190	0	122,438	278,615,628	286,561,364	(7,945,736)	(7,945,736)	102.9%	98.9%
PLANNING AND ECONOMIC DEVELOPMENT	62,314,441	(2,166,476)	60,147,965	0	(49,988)	60,097,977	65,903,121	0	(5,805,144)	109.7%	105.8%
INFRASTRUCTURE SERVICES	28,707,720	(236,626)	28,451,094	0	(704,243)	27,746,851	25,289,474	0	1,457,377	94.7%	91.6%
Total Expenditure by Vote	832,014,868	28,457,898	860,472,766	0	910,058	861,382,824	852,752,970	0	8,629,854	98.0%	102.5%
Surplus/(Deficit) for the year	1,324,055,007	21,374,807	1,345,429,814	0	0	1,345,429,814	1,348,769,167	(13,750,890)	(1,339,353)	100.1%	101.7%
	48,506,630	(23,721,233)	(17,964,217)	0	(17,340,203)	(35,304,420)	4,924,550	(40,228,970)	(40,228,970)	-13.9%	10.2%

**APPENDIX C3**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)**  
2012/2013

DESCRIPTION	1 ORIGINAL BUDGET	2 BUDGET ADJUSTMENTS (I.L.O. s28 and s31 of the MFMA)	3 FINAL ADJUSTMENTS BUDGET	4 SHIFTING OF FUNDS (I.L.O. s31 of the MFMA)	5 VERIMENT (I.L.O. Council approved by ILM)	6 FINAL BUDGET	7 ACTUAL OUTCOME	8 UNAUTHORISED EXPENDITURE	9 VARIANCE	10 AUCTUAL OUTCOME AS % OF FINAL BUDGET	11 AUCTUAL OUTCOME AS % OF ORIGINAL BUDGE T
<b>Revenue By Source</b>											
Property rates	186,797,920	(6,370,453)	180,427,467	0	0	180,427,467	178,298,151	0	2,129,316	98.8%	95.4%
Service charges - electricity revenue	2,000,000	(668,000)	1,332,000	0	0	1,332,000	1,471,195	0	(139,195)	110.5%	73.6%
Service charges - water revenue	679,949,530	(17,417,066)	662,532,464	0	0	662,532,464	681,851,585	0	(19,319,121)	102.9%	100.3%
Service charges - sanitation revenue	116,561,438	(15,794,189)	100,767,249	0	0	100,767,249	105,464,748	0	(4,697,499)	104.7%	90.5%
Service charges - refuse revenue	42,490,406	(2,514,044)	39,976,362	0	0	39,976,362	38,907,908	0	1,068,454	97.3%	91.8%
Service charges - other	59,653,200	(455,039)	59,198,161	0	0	59,198,161	58,425,998	0	772,163	98.7%	97.9%
Rental of facilities and equipment	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Interest earned - external investments	19,465,395	(998,659)	18,466,736	0	0	18,466,736	18,991,092	0	(524,356)	102.8%	97.8%
Interest earned - outstanding debtors	6,276,000	(111,000)	6,165,000	0	0	6,165,000	6,120,660	0	44,340	99.3%	97.5%
Dividends received	9,651,900	383,643	10,035,543	0	0	10,035,543	10,922,408	0	(886,865)	108.8%	113.2%
Fines	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Licences and permits	7,278,225	(2,770,023)	4,508,202	0	0	4,508,202	4,971,247	0	(463,045)	110.3%	68.3%
Agency services	11,761,450	(495,400)	11,266,050	0	0	11,266,050	11,572,086	0	(306,036)	102.7%	98.4%
Transfers recognised - operational	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Other revenue	149,373,324	(14,209,759)	135,163,565	0	0	135,163,565	142,884,071	0	(7,720,506)	105.7%	95.7%
Inventory Surpluses	28,892,002	(5,308,287)	23,583,715	0	4	23,523,719	31,829,631	0	(8,305,912)	135.3%	110.4%
Gains on disposal of PPE	0	0	0	0	0	0	347,128	0	(347,128)	0.0%	0.0%
Gains from assets from non exchange transactions	4,000,000	(4,000,000)	0	0	0	0	0	0	0	0.0%	0.0%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>1,324,090,793</b>	<b>(70,728,276)</b>	<b>1,253,362,518</b>	<b>0</b>	<b>5</b>	<b>1,253,362,518</b>	<b>1,295,062,908</b>	<b>0</b>	<b>(38,695,390)</b>	<b>103.3%</b>	<b>97.8%</b>
<b>Expenditure By Type</b>											
Employee related costs	320,542,812	24,734,877	345,277,689	0	0	345,277,689	335,543,906	0	8,733,883	97.5%	105.0%
Remuneration of councillors	18,436,833	(795,366)	17,641,467	0	0	17,641,467	17,641,423	0	24	100.0%	95.7%
Debt impairment	26,944,754	0	26,944,754	0	0	26,944,754	48,121,218	0	(21,176,464)	178.6%	178.6%
Depreciation & asset impairment	137,517,934	20,003,543	157,521,477	0	0	157,521,477	153,881,258	0	3,640,219	97.7%	111.9%
Finance charges	51,983,251	(2,666,038)	49,317,213	0	0	49,317,213	49,275,680	0	41,533	99.9%	94.8%
Bulk purchases	483,811,521	(9,489,340)	474,322,181	0	(0)	474,322,181	465,494,342	0	7,827,839	98.3%	96.4%
Other materials	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Contracted services	9,700,063	596,751	10,296,814	0	700,423	10,997,237	10,761,939	0	235,298	97.9%	110.9%
Transfers and grants	884,628	0	884,628	0	1	884,629	427,636	0	456,993	48.3%	48.3%
Other expenditure	274,233,143	(11,009,632)	263,223,511	0	(700,424)	262,523,087	263,621,785	(1,098,698)	(1,098,698)	100.4%	96.1%
Loss on disposal of PPE	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Total Expenditure</b>	<b>1,324,055,039</b>	<b>21,374,775</b>	<b>1,345,429,814</b>	<b>0</b>	<b>0</b>	<b>1,345,429,814</b>	<b>1,346,769,167</b>	<b>(1,339,353)</b>	<b>(1,339,353)</b>	<b>100.1%</b>	<b>101.7%</b>
<b>Surplus/(Deficit)</b>	<b>35,754</b>	<b>(92,103,050)</b>	<b>(92,067,328)</b>	<b>0</b>	<b>5</b>	<b>(92,067,296)</b>	<b>(51,706,259)</b>	<b>0</b>	<b>(37,356,037)</b>	<b>56.2%</b>	<b>-144616.8%</b>
Transfers recognised - capital	48,470,844	25,632,235	74,103,079	0	(17,340,203)	56,762,876	56,630,809	0	(131,973)	100.0%	100.0%
Contributions recognised - capital	0	0	0	0	0	0	0	0	0	0.0%	0.0%
Contributed assets	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>48,506,598</b>	<b>(66,470,815)</b>	<b>(17,964,249)</b>	<b>0</b>	<b>(17,340,198)</b>	<b>(35,304,420)</b>	<b>4,924,550</b>	<b>0</b>	<b>(37,356,037)</b>	<b>-13.9%</b>	<b>10.2%</b>
Taxation	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Surplus/(Deficit) after taxation</b>	<b>48,506,598</b>	<b>(66,470,815)</b>	<b>(17,964,249)</b>	<b>0</b>	<b>(17,340,198)</b>	<b>(35,304,420)</b>	<b>4,924,550</b>	<b>0</b>	<b>(37,356,037)</b>	<b>-13.9%</b>	<b>10.2%</b>
Attributable to minorities	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Surplus/(Deficit) attributable to municipality</b>	<b>48,506,598</b>	<b>(66,470,815)</b>	<b>(17,964,249)</b>	<b>0</b>	<b>(17,340,198)</b>	<b>(35,304,420)</b>	<b>4,924,550</b>	<b>0</b>	<b>(37,356,037)</b>	<b>-13.9%</b>	<b>10.2%</b>
Share of surplus/ (deficit) of associate	0	0	0	0	0	0	0	0	0	0.0%	0.0%
<b>Surplus/(Deficit) for the year</b>	<b>48,506,598</b>	<b>(66,470,815)</b>	<b>(17,964,249)</b>	<b>0</b>	<b>(17,340,198)</b>	<b>(35,304,420)</b>	<b>4,924,550</b>	<b>0</b>	<b>(37,356,037)</b>	<b>-13.9%</b>	<b>10.2%</b>

**APPENDIX C4**  
**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

DESCRIPTION	2012/2013									
	ORIGINAL BUDGET	BUDGET ADJUSTMENTS (i.l.o. s28 and s31 of the MFMA)	FINAL ADJUSTMENTS BUDGET	SHIFTING OF FUNDS (i.l.o. s31 of the MFMA)	VERGEMENT (i.l.o. Council approved by law)	FINAL BUDGET	ACTUAL OUTCOME	UNAUTHORISED EXPENDITURE	VARIANCE	ACTUAL OUTCOME AS % OF FINAL BUDGET
	1	2	3	4	5	6	7	8	9	10
<b>Capital expenditure - Vote</b>										
<b>Multi-year expenditure</b>										
OFFICE OF THE MUNICIPAL MANAGER	505	316	821,461	0	0	821,461	413,000	0	408,461	50.3%
CORPORATE SERVICES	6,973	1,941	8,913,785	0	(1,668,127)	7,245,658	6,193,637	0	1,052,021	85.5%
COMMUNITY SERVICES	38,426	2,183	40,609,340	0	(7,337,961)	32,671,379	26,261,421	0	6,409,958	80.4%
FINANCIAL SERVICES	1,660	-	1,660,000	0	(927,300)	732,700	525,672	0	207,028	71.7%
PLANNING AND ECONOMIC DEVELOPMENT	1,196	260	1,456,000	0	(3,000)	1,453,000	1,394,487	0	58,503	96.0%
INFRASTRUCTURE SERVICES	228,893	37,029	265,921,417	0	(62,058,226)	203,863,191	200,425,821	0	3,437,370	98.3%
<b>Capital multi-year expenditure sub-total</b>	<b>277,652</b>	<b>41,730</b>	<b>319,382,003</b>	<b>0</b>	<b>(72,594,614)</b>	<b>246,787,389</b>	<b>235,214,048</b>	<b>0</b>	<b>11,573,341</b>	<b>95.3%</b>
<b>Single-year expenditure</b>										
OFFICE OF THE MUNICIPAL MANAGER	-	-	0	0	0	0	0	0	0	0.0%
CORPORATE SERVICES	-	-	0	0	0	0	0	0	0	0.0%
COMMUNITY SERVICES	-	-	0	0	0	0	0	0	0	0.0%
FINANCIAL SERVICES	-	-	0	0	0	0	0	0	0	0.0%
PLANNING AND ECONOMIC DEVELOPMENT	-	-	0	0	0	0	0	0	0	0.0%
INFRASTRUCTURE SERVICES	-	-	0	0	0	0	0	0	0	0.0%
<b>Capital single-year expenditure sub-total</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>Total Capital Expenditure - Vote</b>	<b>277,652</b>	<b>41,730</b>	<b>319,382,003</b>	<b>0</b>	<b>(72,594,614)</b>	<b>246,787,389</b>	<b>235,214,048</b>	<b>0</b>	<b>11,573,341</b>	<b>95.3%</b>
<b>Capital Expenditure - Standard</b>										
<b>Governance and administration</b>										
EXECUTIVE AND COUNCIL	24,709	15,725	40,433,357	0	(9,425,928)	31,007,429	28,415,135	0	2,592,295	91.6%
BUDGET AND TREASURY OFFICE	1,540	456	1,995,946	0	5,500	2,001,446	1,781,737	0	219,709	89.0%
CORPORATE SERVICES	21,509	15,269	36,777,411	0	(927,300)	35,850,111	32,700,000	0	3,150,111	91.7%
COMMUNITY AND PUBLIC SAFETY	32,043	2,183	34,226,340	0	(8,504,128)	25,722,212	26,107,725	0	2,165,558	92.3%
COMMUNITY AND SOCIAL SERVICES	8,103	1,376	9,479,936	0	(7,904,428)	1,575,508	22,537,231	0	3,784,681	85.6%
SPORT AND RECREATION	7,198	0	7,198,133	0	62,180	7,260,313	9,013,133	0	527,983	111.2%
PUBLIC SAFETY	1,508	58	1,566,831	0	(530,122)	1,036,709	838,950	0	753,009	81.3%
HOUSING	15,051	872	15,923,440	0	(7,416,486)	8,506,954	6,744,820	0	728,881	53.6%
HEALTH	183	0	183,000	0	(20,000)	163,000	163,000	0	1,762,134	79.3%
<b>Economic and environmental services</b>										
PLANNING AND DEVELOPMENT	24,886	12,296	37,181,827	0	(17,292,678)	19,889,149	19,514,900	0	374,249	98.1%
ROAD TRANSPORT	1,173	260	1,433,000	0	0	1,433,000	1,374,497	0	58,503	95.9%
ENVIRONMENTAL PROTECTION	23,713	12,036	35,748,827	0	(17,292,678)	18,456,149	18,140,402	0	315,747	98.3%
<b>Trading services</b>										
ELECTRICITY	196,015	11,525	207,540,479	0	(37,971,580)	169,568,899	164,746,783	0	4,822,116	97.2%
WATER	29,885	9,606	39,491,346	0	(7,265,500)	32,225,846	30,012,232	0	2,213,614	93.1%
WASTE WATER MANAGEMENT	41,960	-	41,960,000	0	(3,525,839)	38,434,161	38,417,946	0	16,215	100.0%
WASTE MANAGEMENT	118,220	1,919	120,139,133	0	(27,186,022)	92,953,111	92,909,834	0	43,277	100.0%
<b>Other</b>	<b>5,950</b>	<b>-</b>	<b>5,950,000</b>	<b>0</b>	<b>5,781</b>	<b>5,955,781</b>	<b>3,406,771</b>	<b>0</b>	<b>2,549,010</b>	<b>57.3%</b>
<b>Total Capital Expenditure - Standard</b>	<b>277,652</b>	<b>41,730</b>	<b>319,382,003</b>	<b>0</b>	<b>(72,594,614)</b>	<b>246,787,389</b>	<b>235,214,048</b>	<b>0</b>	<b>11,573,341</b>	<b>95.3%</b>
<b>Funded by:</b>										
National Government	48,471	25,632	74,103,079	0	0	56,762,876	56,630,809	0	132,067	99.8%
Provincial Government	-	-	0	0	0	0	0	0	0	0.0%
District Municipality	-	-	0	0	0	0	0	0	0	0.0%
Other transfers and grants	-	-	0	0	0	0	0	0	0	0.0%

**APPENDIX C4**  
**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

DESCRIPTION	2012/2013										
	ORIGINAL BUDGET 1	BUDGET ADJUSTMENTS (i.t.o. s28 and s31 of the MFMA) 2	FINAL ADJUSTMENTS BUDGET 3	SHIFTING OF FUNDS (i.t.o. s31 of the MFMA) 4	VERIMENT (i.t.o. Council approved by law) 5	FINAL BUDGET 6	ACTUAL OUTCOME 7	UNAUTHORISED EXPENDITURE 8	VARIANCE 9	ACTUAL OUTCOME AS % OF FINAL BUDGET 10	ACTUAL OUTCOME AS % OF ORIGINAL BUDGET 11
Transfers recognised - capital	48,471	25,632	74,103,079	0	0	56,762,876	56,630,809	0	132,067	99.8%	116.8%
Public contributions & donations	216,135	5,569	221,704,198	0	0	171,633,248	166,904,096	0	4,729,152	97.2%	77.2%
Borrowing	13,046	10,528	23,574,726	0	0	18,391,265	11,679,143	0	6,712,122	63.5%	89.5%
Internally generated funds	277,652	41,730	319,382,003	0	0	246,787,389	235,214,048	0	11,573,341	95.3%	84.7%
Total Capital Funding											

**APPENDIX C5  
RECONCILIATION OF BUDGETED CASH FLOW**

2012/2013									
Description	Original Budget 1	Budget Adjustments (i.t.o. s28) 2	Final adjustments budget 3	Final Budget 6	Actual Outcome 7	Variance 9	Actual Outcome as % of Final Budget 10	Actual Outcome as % of Original Budget 11	
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	1,136,494,874	52,261,770	1,084,233,104	1,112,033,953	1,081,079,291	30,954,662	97.2%	95.1%	
Government - operating	156,730,168	2,203,817	154,526,351	191,926,441	199,026,470	(7,100,029)	103.7%	127.0%	
Government - capital	41,114,000	(13,626,293)	54,740,293	0	0	0	0.0%	0.0%	
Interest	6,276,000	111,000	6,165,000	6,165,000	6,105,540	59,460	99.0%	97.3%	
Dividends	0	0	0	0	15,120	(15,120)	0.0%	0.0%	
Payments									
Suppliers and employees	(1,106,724,437)	4,037,303	(1,110,761,740)	(1,137,706,495)	(1,110,907,999)	(26,798,496)	97.6%	100.4%	
Finance charges	(51,983,251)	(2,666,035)	(49,317,216)	(49,317,213)	(49,275,660)	(41,553)	99.9%	94.8%	
Transfers and Grants	(884,629)	0	(884,629)	(884,629)	(427,636)	(456,993)	48.3%	48.3%	
NET CASH FROM/(USED) OPERATING ACTIVITIES	181,022,725	42,321,561	138,701,163	122,217,057	125,615,126	(3,398,069)	102.8%	69.4%	
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	4,000,000	4,000,000	0	0	102,500	(102,500)	0.0%	2.6%	
Decrease (Increase) in non-current debtors	0	0	0	0	0	0	0.0%	0.0%	
Decrease (Increase) other non-current receivables	500,000	0	500,000	500,000	(144,542)	644,542	-28.9%	-28.9%	
Decrease (Increase) in non-current investments	0	0	0	0	0	0	0.0%	0.0%	
Payments									
Capital assets	(277,652,314)	41,729,689	(319,382,003)	(246,787,389)	(235,214,048)	(11,573,341)	95.3%	84.7%	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(273,152,314)	45,729,689	(318,882,003)	(246,287,389)	(235,256,090)	(11,031,299)	95.5%	86.1%	
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans	0	0	0	0	0	0	0.0%	0.0%	
Borrowing long term/refinancing	216,135,000	0	216,135,000	186,985,000	186,985,000	0	100.0%	86.5%	
Increase (decrease) in consumer deposits	2,000,000	0	2,000,000	2,000,000	3,787,274	(1,787,274)	189.4%	189.4%	
Payments									
Repayment of borrowing	(49,461,913)	0	(49,461,913)	(49,461,913)	(57,242,528)	7,780,615	115.7%	0.0%	
NET CASH FROM/(USED) FINANCING ACTIVITIES	168,673,087	0	168,673,087	139,523,087	133,529,746	5,993,341	95.7%	115.7%	
NET INCREASE/ (DECREASE) IN CASH HELD								79.2%	
Cash/cash equivalents at the year begin:	111,957,156	0	111,957,156	111,957,156	111,957,156	0	100.0%	100.0%	
Cash/cash equivalents at the year end:	188,500,654	88,051,250	100,449,403	127,409,911	135,845,938	(8,436,027)	106.6%	72.1%	



## APPENDIX E

## DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003

NAME OF GRANT	REASON FOR RECEIPT	FUNDING	OPENING BALANCE 01/07/2012 R	CLOSING BALANCE 30/06/2013 R
Indigent Policy Fund	Funding Indigent Debtors	Ongoing	(4,908,626)	0
Cmp Projects	Funding of Infrastructure projects	Ongoing	0	(111,928)
Bucket Eradication: WC056	Bucket Eradication	Once	(755)	(755)
Water Services Asset Management	Asset Management	Once	(199,237)	(43,997)
Budget Reform programme - National Treasury	Intern Programme	Ongoing	(0)	0
Proclaimed Roads Subsidies	Housing Projects	Ongoing	0	0
Carterville Housing Project	Housing Projects	Ongoing	(956,503)	(956,503)
1058 Hulse WDR Skenking	Housing Projects	Ongoing	(920,604)	(920,604)
Drommedaris Street EHP	Housing Projects	Ongoing	0	0
Project 2 - Mbekweni (Housing Scheme 49)	Housing Projects	Ongoing	(1,365,133)	(478,380)
Housing Project 59 (Fairland)	Housing Projects	Ongoing	0	(4,458,325)
White City Housing Scheme 51	Housing Projects	Ongoing	0	0
Drommedaris Street 181 Paat	Housing Projects	Ongoing	0	0
Housing Project (Silverdown)	Housing Projects	Ongoing	0	0
Unspend money project 59 (guarantee)	Housing Projects	Ongoing	0	0
New Seyayama	Housing Projects	Ongoing	(623,636)	(623,636)
Erf 2220	Housing Projects	Ongoing	(303,259)	(154,012)
Gouda	Housing Projects	Ongoing	(1,310,357)	(1,209,959)
T/F EMERGENCY KITS O R THAMBO INF SETTLE	Housing Projects	Ongoing	(2,003,627)	(2,003,627)
DALJOSAPHAT TRANSFERS	Housing Projects	Ongoing	(14,307)	(14,307)
KINGSTON	Housing Projects	Ongoing	(453,180)	(453,180)
LANTANA	Housing Projects	Ongoing	(83,322)	0
SIYASHALA	Housing Projects	Ongoing	0	0
AMSTELHOF PROJECT 35	Housing Projects	Ongoing	(78,479)	0
Library Personnel Grant	satellite Libraries	Ongoing	(10,348)	(10,348)
Municipal Systems Improvement Grant	Capacity Building	Ongoing	(177,006)	(130,856)
Library Building Grant (Transition Grant)	Building of Library	Once	1	0
Soccerfield	Upgrading of Soccerfields	Once	(20,791)	(20,791)
Elek1 Masterplan		Once	(19,033)	(19,033)
Community Development Workers	Community Development (Wards)	Ongoing	0	0
Land for provision of Industrial & Residential purposes	Land Study	Once	(378,293)	(164,395)
RBIG - Grant	Create Infrastructure	Ongoing	(51,093)	(51,093)
Dafjosafat Sintetise Alletiekbaan	Improvement of Track	Once	(5,062,306)	(5,062,306)
Erf 2220: Stormwater upgrade	Housing Projects	Once	(492)	(492)
Integrated Food and Nutrition		Once	(1)	(1)
Opleiding Levy	Training	Ongoing	0	0
EPWP - Roads and Cleansing	Job Creation	Ongoing	(1,025,705)	(2,273,285)
Provision basio services or Tambo	Housing	Once	(60,476)	(2,671)
Annual Update of water & Sewerage Masterplans		Once	0	(27,314)
BULK WATER RESOURCE STUDY(R200000)PRL&W	Impact Study	Once	(0)	(0)
DEPARTMENT OF PUBLIC WORKS (TAXI RANK)	Create Infrastructure	Once	(87,780)	(87,780)
IOP - BDR		Once	(291,581)	(291,581)
Electrification Funding	Electrification Housing projects	Ongoing	0	0
Mun Weduwe & Wese Pension	Mayoral Fund	Once	(139,683)	(193,544)
Greenest Town Award	Create Infrastructure	Once	0	(838,290)
Bergriver Pollution Study	Impact Study	Once	0	(48,777)
HERMON WATER AANSLUITINGS	Create Infrastructure	Once	(4)	(31,847)
TAF:TOEKENING VIR INFRASTRUK PROJEKT CWL	Create Infrastructure	Once	(44)	(44)
TARING OF SIDEWALKS O/R THAMBO	Create Infrastructure	Once	(2,609,059)	(500,559)
INDUSTRIAL DEVELOPMENT CORP SUPPORT FUND	Create Infrastructure	Once	(47,447)	(47,447)
Bulk Services Levy - Water and Sewerage	Create Infrastructure	Ongoing	(205,310)	(205,310)
Bulk Services Levy - Electricity	Create Infrastructure	Ongoing	(1,487,638)	(1,689,931)
Collin D Brown Consulting: (Guarantee) (Kowaleski)	Guarantee	Once	(510,304)	(520,099)
			0	(1,300,000)
			(25,423,416)	(24,935,006)